

1 **James P. Laurick, OSB # 821530**
2 jlaurick@kilmerlaw.com
3 **Graham M. Sweitzer, OSB #025866**
4 gsweitzer@kilmerlaw.com
5 Kilmer, Voorhees & Laurick, P.C.
6 Attorneys at Law
7 732 NW 19th Avenue
8 Portland, Oregon 97209-1302
9 Telephone: (503) 224-0055
10 Fax: (503) 222-5290

11 OF ATTORNEYS FOR CREDITOR
12 WORLD FUEL SERVICES, INC.

13 UNITED STATES BANKRUPTCY COURT
14 DISTRICT OF OREGON

15 In re:
16 EVERGREEN VINTAGE AIRCRAFT,
17 INC.,
18 Debtor.

Case No. 14-36770-rld11

Chapter 11

**WORLD FUEL'S MOTION TO
POSTPONE VALUATION HEARING**

Expedited Hearing Requested

19
20 **RULE 7007-1 CONFERENCE CERTIFICATION**

21 Pursuant to LBR 7007-1, counsel for World Fuel certifies that it has attempted to discuss
22 this motion with counsel for the debtor. However, the parties have not been able to reach an
23 agreement.

24 **MOTION TO POSTPONE VALUATION HEARING**

25 World Fuel Services, Inc. ("World Fuel") hereby requests that this court postpone the
26 valuation hearing on the DeHavilland airplane which is currently scheduled to occur on May 28,

1 2015. The basis for this request is that the appraiser who performed the July 23, 2012 appraisal,
2 Kenneth M. Dufour, ASA (Accredited Senior Appraiser) and President/CEO of Aviation
3 Management Consulting, Inc., has pneumonia and is unavailable to testify. Although we became
4 aware of his illness last week, we first learned today that he is in the hospital awaiting surgery on
5 his lungs. Given the short time between the scheduling of this hearing and the recent holiday
6 weekend, World Fuel has been unable to locate an alternative appraiser. The number of vintage
7 airplane appraisers is fairly limited, nationwide, and it has been difficult to make alternative
8 arrangements given the short timeframe. In addition, we have sought to make arrangements with
9 Mr. Dufour to appear by videoconference call but that is also unworkable.

10 Accompanying this motion is the Declaration of James P. Laurick to which are attached
11 copies of Mr. Dufour's appraisal, as well as the competing appraisal of the debtor dated April 22,
12 2015. The World Fuel appraisal is \$2.0 million while the current market value of the debtor's
13 appraisal is \$700,000.

14 World Fuel is working earnestly to make arrangements with another appraiser to testify
15 in this matter.

16 DATED: May 27, 2015.

17 KILMER, VOORHEES & LAURICK, P.C.
18

19 /s/ James P. Laurick

20 James P. Laurick, OSB # 821530
21 732 NW 19th Avenue, Portland, OR 97209
22 jlaurick@kilmerlaw.com
23 Phone No.: 503-224-0055
24 Fax No.: 503-222-5290
25 Of Attorneys for Creditor World Fuel Services, Inc.
26

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26

KILMER, VOORHEES & LAURICK, P.C.

James P. Laurick, OSB # 821530
732 NW 19th Avenue, Portland, OR 97209
jlaurick@kilmerlaw.com
Phone No.: 503-224-0055
Fax No.: 503-222-5290
Of Attorneys for Creditor World Fuel Services, Inc.
I:\0213\0001\Pleadings\BK EVERGREEN VINTAGE\Motion to Postpone Hearing.doc

1 **James P. Laurick, OSB # 821530**
2 jlaurick@kilmerlaw.com
3 **Graham M. Sweitzer, OSB #025866**
4 gsweitzer@kilmerlaw.com
5 Kilmer, Voorhees & Laurick, P.C.
6 Attorneys at Law
7 732 NW 19th Avenue
8 Portland, Oregon 97209-1302
9 Telephone: (503) 224-0055
10 Fax: (503) 222-5290

11 OF ATTORNEYS FOR CREDITOR
12 WORLD FUEL SERVICES, INC.

13 UNITED STATES BANKRUPTCY COURT
14 DISTRICT OF OREGON

15 In re:
16 EVERGREEN VINTAGE AIRCRAFT,
17 INC.,
18 Debtor.

Case No. 14-36770-rld11

Chapter 11

**DECLARATION OF JAMES P.
LAURICK IN SUPPORT OF WORLD
FUEL'S MOTION TO POSTPONE
VALUATION HEARING**

19
20 I, James P. Laurick, declare:

21 1. I am one of the attorneys for World Fuel Services, Inc. ("World Fuel"), a creditor
22 in this matter. I make this declaration based on personal knowledge and a review of documents,
23 and in support of World Fuel's Motion to Postpone the Valuation Hearing.

24 2. My office has been in touch with Aviation Management Consulting, Inc.
25 regarding its July 23, 2012 appraisal that was given to World Fuel by its borrower to support the
26 structure of the credit extended by World Fuel to Evergreen entities including the guarantee of

1 the debtor. It places the value of the DeHavilland DH.4M1 at \$2.0 million. It is my
2 understanding World Fuel relied on that appraisal in its credit arrangements with the Evergreen
3 entities.

4 3. In our discussions with Aviation Management Consultants, we learned late last
5 week that Mr. Kenneth Dufour was ill. We later discovered that he is suffering from pneumonia
6 and unavailable to testify regarding his appraisal. We learned as recently as this morning that
7 he is in the hospital awaiting surgery on his lungs.

8 4. We have also been in touch with Leo Heidemann of that office and he is also
9 unavailable.

10 5. Attached as Exhibit 1 is a copy of the Aviation Management Consulting, Inc.
11 appraisal dated July 23, 2012.

12 6. Attached as Exhibit 2 is a copy of the Air Assets International appraisal
13 performed for debtor or its lender dated April 22, 2015.

14 7. I have requested consent of the debtor to this postponement, but the parties have
15 not been able to agree.

16 **I HEREBY DECLARE THAT THE ABOVE STATEMENTS ARE TRUE TO THE**
17 **BEST OF MY KNOWLEDGE AND BELIEF, AND THAT I UNDERSTAND THAT IT**
18 **IS MADE FOR USE AS EVIDENCE IN COURT AND IS SUBJECT TO PENALTY**
FOR PERJURY.

19 DATED: May 27, 2015.

20 KILMER, VOORHEES & LAURICK, P.C.

21
22 /s/ James P. Laurick

23 James P. Laurick, OSB # 821530
24 732 NW 19th Avenue, Portland, OR 97209
25 jlaurick@kilmerlaw.com
26 Phone No.: 503-224-0055
Fax No.: 503-222-5290
Of Attorneys for Creditor World Fuel Services, Inc.

1 **CERTIFICATE OF SERVICE**

2 I certify that on this 27th day of May, 2015, the foregoing **DECLARATION OF**
3 **JAMES P. LAURICK IN SUPPORT OF WORLD FUEL'S MOTION TO POSTPONE**
4 **VALUATION HEARING** will be served in accordance with the Court's CM/ECF system
5 which will send notification of such filing by notice via email to the ECF participants of record a
6 true copy of the foregoing document.
7

8 KILMER, VOORHEES & LAURICK, P.C.

9
10 /s/ James P. Laurick

11 James P. Laurick, OSB # 821530

12 732 NW 19th Avenue, Portland, OR 97209

13 jlaurick@kilmerlaw.com

14 Phone No.: 503-224-0055

15 Fax No.: 503-222-5290

16 Of Attorneys for Creditor World Fuel Services, Inc.

17 E:\10213\0001\Pleadings\BK EVERGREEN VINTAGE\Laurick Decl ISO Motion to

18 Postpone Hearing.doc
19
20
21
22
23
24
25
26



AVIATION MANAGEMENT CONSULTING, INC.

3645 Foxborough Lane, Suite 1011
Rockford, IL 61114-7062
Office: 815-633-1684

July 23, 2012

Evergreen International Aviation, Inc.
3850 Three Mile Lane
McMinnville, Oregon 97128

Attn: Mr. Tim Wahlberg, Chairman

AIRCRAFT APPRAISAL

As per your aircraft appraisal request, the undersigned has appraised **DeHavilland DH.4M1, Serial Number ET-4 and Registration Number N3258**. The purpose of this summary desktop aircraft appraisal report was to arrive at a conclusion of the *Market Value* of this aircraft as of the effective date. This summary desktop aircraft appraisal report should not intimate that there could not be any fluctuations of the values expressed in the future. The fee for this report is for our expressed opinion at the time of appraisal/inspection with no warranties or guarantees as to the outcome at any future date, if tested.

This study sets forth our findings and conclusions based upon an investigation of conditions affecting *Market Value* and is subject to the Statement of Limiting Conditions and Definitions contained in this appraisal. Reviewing the Statement of Assumptions/Limiting Conditions and Terms & Definitions will assist in avoiding erroneous interpretation of this appraisal. Additionally, it is important to understand the Valuation Methodology. We have prepared this appraisal based on the information you or your representative provided. Please review this document carefully to ensure that there are no omissions or misstatements of material data or information.

Thank you for the opportunity to be of service with this appraisal. If there are any questions regarding the method of appraisal or valuation concept, please do not hesitate to call upon me at any time.

Kenneth M. Dufour, ASA
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

Leo V. Heidemann, ASA
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

President/CEO
AVIATION MANAGEMENT CONSULTING, INC.

KMD/ad

AMCIVALUES APPRAISAL SERVICES

"The Aerospace Valuation Authority"



American Society of Appraisers

USPAP COMPLIANT SUMMARY DESKTOP AIRCRAFT APPRAISAL REPORT*

DEHAVILLAND DH.4M1

Serial Number: ET-4

**Registration Number: N3258
(1918 Model)**

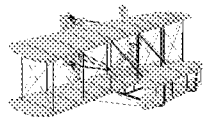
PREPARED FOR

EVERGREEN INTERNATIONAL AVIATION, INC.

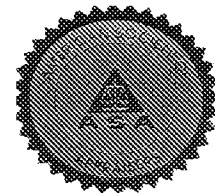
PREPARED BY

The "Wright" Appraisers

***Official Appraisers of the Wright Flyer Replicas, the Henry Ford Museum and
Chicago's Museum of Science and Industry***



**AVIATION MANAGEMENT CONSULTING, INC.
3645 Foxborough Lane, Suite 1011A
Rockford, IL 61114-7062 USA
Telephone: (815) 633-1684
Facsimile: (815) 633-1696**



www.appraisers.org & www.TheAircraftAppraisers.com

Effective Date: July 23, 2012

***Compliant Summary Appraisal – Uniform Standards of Professional Appraisal
Practice (USPAP 2012-2013 Edition Effective until December 31, 2013)**

Proprietary Notice

This Summary Aircraft Appraisal is presented for the exclusive use of Evergreen International Aviation, Inc. It may be transmitted in any form to any other party without the express oral/written permission of Aviation Management Consulting, Inc. and Evergreen International Aviation, Inc.

Privacy Statement

Aviation Management Consulting, Inc. respects the privacy of our customers. We pledge to never release your personal, non-public information (i.e. name, address, telephone number, e-mail address or other information) to anyone who is not employed by Aviation Management Consulting, Inc., except as permitted or required by the Gramm-Leach-Bliley Act (1999).

Data contained in this report is valid only on the date of the issuance of this report. Due to the dynamic trends in the aerospace industry, we recommend that a valuation update be conducted every two (2) years or as required. After two (2) years or as required from the effective date, the appraisal should be updated and the user of this document can assume it to be in need of an appraisal update. Aviation Management Consulting, Inc. makes representation concerning the value of the subject aircraft. The customer or third party using this report as a part of their purchase decision process should recognize that this appraisal/valuation report is limited in scope and that discrepant conditions may exist in the aircraft which were not discovered or recorded during this appraisal/valuation. The customer authorizing this appraisal/inspection has covenanted not to sue, agreed to defend, indemnify, and hold Aviation Management Consulting, Inc. (AMC\VALUE\$) harmless from and against all claims asserted by the customer or any third party. Aviation Management Consulting Inc. is also clear from all damages, losses, and expenses, including attorney fees, arising out of or resulting from this appraisal/valuation or the condition of the aircraft inspection. This is regardless of whether or not resulting in whole or in part of any negligence of Aviation Management Consulting, Inc. (AMC\VALUE\$).

TABLE OF CONTENTS

	<u>PAGE(S)</u>
EXECUTIVE SUMMARY	5
AIRCRAFT SPECIFICATIONS.....	8
MARKET VALUE STATEMENT/ USPAP CERTIFICATION.	12
AMC\VALUES\$ VALUATION METHODOLOGY.....	14
STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS	22
VALUATION METHODOLOGY TERMS AND DEFINITIONS	27

ATTACHMENTS

- AIRCRAFT DOCUMENTATION (on file at Aviation Management Consulting, Inc.)
- AMERICAN SOCIETY OF APPRAISERS ETHICS
- UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE OVERVIEW
- CURRICULUM VITAE (KENNETH M. DUFOUR & LEO V. HEIDEMANN)

EXECUTIVE SUMMARY

Evergreen International Aviation, Inc.

Objective/Purpose:

The values reported within this report are intended for the sole use and benefit of **Evergreen International Aviation, Inc.** for determining the *Market Value* via a Uniform Standards of Professional Appraisal Practice (USPAP) Compliant Summary "*Desktop Appraisal*" on **DeHavilland DH.4M1, Serial Number ET-4 and Registration Number N3258 (1918 Model)** and may be assigned to any third party without the prior written consent of Aviation Management Consulting, Inc. (AMC\VALUE\$).

Scope of Work: (Appraisal Assignment)

For this valuation assignment, a narrative, *Appraisal Report* has been prepared outlining the appraisal techniques and procedures utilized in valuating the subject aircraft for certain values as requested above.

This Appraisal Report includes:

- Identification of the specific aircraft to be appraised and the effective date of the valuation.
- A description and specifications of the aircraft to be appraised including all of the pertinent information that is available such as the model, date of manufacture and current aircraft maintenance condition.
- A discussion of the appraisal techniques considered and used in the development of the values, which include past/recent sales, and current market offerings and current market conditions, which are deemed appropriate.

Appraisal Conclusions: Effective Date of Appraisal: July 23, 2012

Market Value

After review of the specifications of this **DeHavilland DH.4M1, Serial Number ET-4 and Registration Number N3258** in conjunction with a study of the current and historical market for the **DeHavilland DH.4M1** and consideration of its "highest and best use," Aviation Management Consulting, Inc. places the subject aircraft at a **Market Value of: \$2,000,000 USD**

The above values indicate constant 2012 dollars and have no inflation factors.

EXECUTIVE SUMMARY

Evergreen International Aviation, Inc.

The **Market Value** is computed in relation with the market value price for each of the aircraft. According to the American Society of Appraisers, USPAP (Uniform Standards of Professional Appraisal Practice) definition of CURRENT MARKET VALUE is the estimated amount expressed in terms of money that may reasonably be expected for the property in exchange between a willing buyer and a willing seller with equity to both, with neither under any compulsion to buy or sell and both fully aware of all relevant facts as of a specific date.

The following definition of CURRENT MARKET VALUE was utilized for this appraisal to include the MARKET VALUE assumption and is sanctioned by The Appraisal Foundation and the American Society of Appraisers as: The most probable price which a property (aircraft) should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; (5) the price represents the normal consideration for the property (aircraft) sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Actual aircraft condition, time, and history are far more important than age. Future values can vary widely based on maintenance and modification. Maintenance history and refurbishment restoration quality can vary values from a low to high extremes. Actual values must be determined by actual appraisals.

This appraisal/valuation was developed as a service for Evergreen International Aviation, Inc., to assist in arriving at the Market Value of the DeHavilland DH.4M1. These values are intended as a guide developed by American Society of Appraisers accredited appraiser and are not to be considered to reflect all unforeseen market variances.

AMCVALUES' appraisal of this aircraft indicates that our conclusions are consistent with the data we reviewed. **Evergreen International Aviation, Inc.** provided this data.

EXECUTIVE SUMMARY

Evergreen International Aviation, Inc.

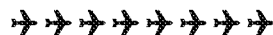
COST/ MARKET COMPARISON-VALUATION APPROACHES:

The **Cost Comparison Approach** is research and analysis of the cost of a substitute property with equivalent function and desirability, providing an estimate of the depreciated reproduction, reproduction new or replacement cost new of the property. Which represents an amount of money required to replace a property with another of similar qualities within a reasonable length of time in an appropriate and relevant market?

The **Market Comparison Approach** estimates value by comparison with aircraft sold in the current market, with adjustments made for all differences, which affect value, such as differences in characteristics of value and in time. Each aircraft sold is compared to the aircraft to be appraised, and an amount is added to or subtracted from the price achieved for every difference, with the sum yielding an indication of value.

The Market Comparison Approach is most reliable with manufactured products, when the items sold are identical to the one being appraised. The only adjustments needed would be for any intangible differences such as warranty and service, for any change in value since the sale was made and for any differences between the circumstances of the sale and the circumstances of the appraisal.

This appraisal sets forth our findings and professional conclusions based upon an investigation of conditions affecting Market Value, (cost/market comparison approach) and is subject to the Statement of Assumptions/Limiting Conditions, Valuation Methodology Terms & Definitions, which will assist in avoiding erroneous interpretation of this appraisal, which will be provided in the final appraisal document. Additionally, it is important to understand the AMC\Value\$ Valuation Methodology used for this appraisal.



AIRCRAFT SPECIFICATIONS

DeHavilland DH.4M1

AMCIVALUES
AVIATION MANAGEMENT CONSULTING, INC.
(AIRCRAFT SPECIFICATIONS)

Evergreen International Aviation and Space Museum, McMinnville, OR provided the following aircraft description.

DeHavilland DH.4M1

Nicknamed "*Flaming Coffins*" for the alleged ease with which they caught on fire during combat, the DH-4 was a British-designed World War I observation and bombing plane. When the U.S. entered the war, it had no proven warplane designs of its own, and so built nearly 5,000 de Havillands under license by the Boeing Airplane Corporation, Dayton-Wright Airplane Company, the Fisher Body Corporation, and the Standard Aircraft Corporation. Powered by Liberty engines, the American DHs were dubbed "Liberty Planes." The DH-4 was the only American-made airplane used in combat by the U.S. Air Service during World War I.

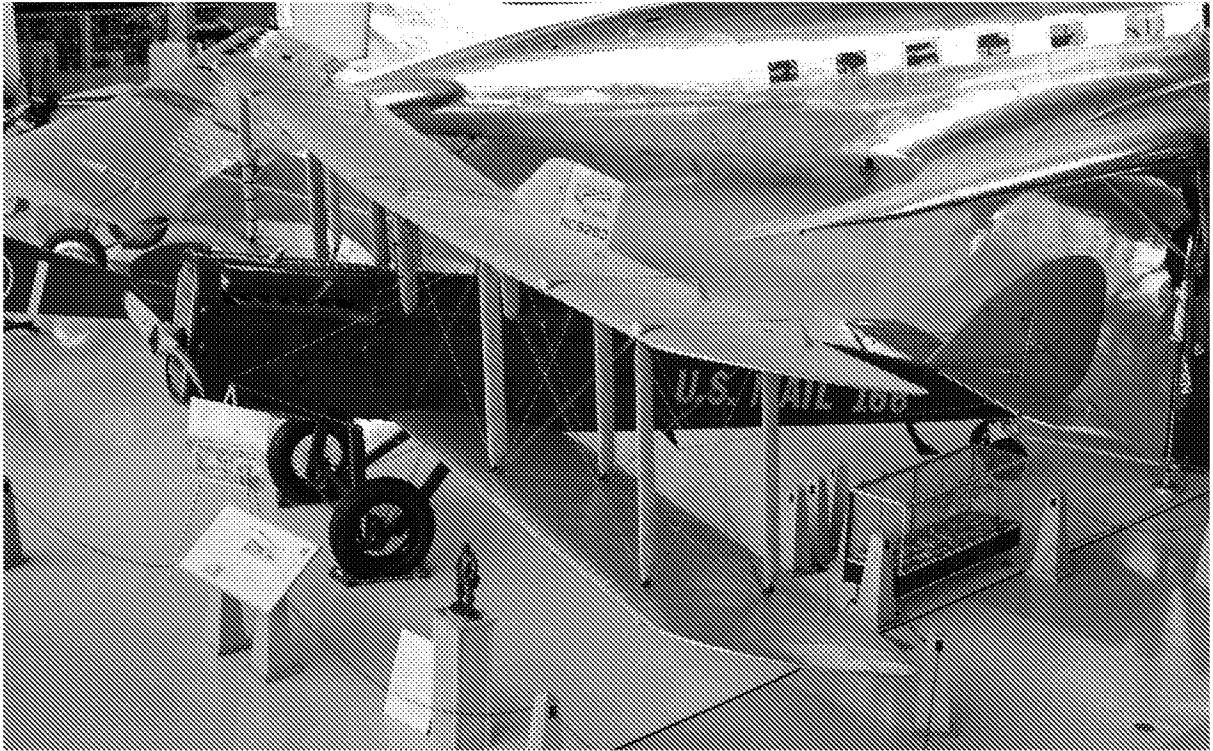
When the Great War ended in 1918, DH-4s were available in large numbers. They continued to be the backbone of U.S. military air power, serving in the U.S. Army Air Service, (later the Army Air Corps) until 1932. DH-4s were also the principal aircraft for the U.S. Air Mail Service, begun in 1918.

As DH-4s aged, the Boeing and Atlantic Aircraft companies were awarded U.S. Army contracts to modify the planes, converting them to DH-4Ms. The "M" stood for Modernized. These companies desperately needed work because World War I military contracts had ended. Boeing's conversions were designated DH-4M-1s and Atlantic's were designated DH-4M-2s.

The planes were completely rebuilt and strengthened, and the wooden fuselage was replaced with a new, welded steel tube frame. Boeing's DH-4M-1s were produced using a Boeing-developed arc welding process for the steel tube fuselage, and this proved a major technological advance for Boeing. The Atlantic DH-4M-2 models used a gas welding process. Today, a total of 8 Dh.4's remain in museums and private collections, of which Evergreen's is the only DH-4M variant.

AIRCRAFT SPECIFICATIONS

DeHavilland DH.4M1



The Museum's DeHavilland DH.4M1

Evergreen's DH-4M is the only one of its kind known to still exist, and it carries an Airworthiness Certificate! This DH-4 was originally built under license from de Havilland circa 1918 by the Fisher Body Division of General Motors. Fisher produced 1,600 of the 4,846 American-built DH-4s. Later, in 1923, this plane was one of 180 DH-4s modernized by the Boeing Aircraft Company at the Red Barn in Seattle, Washington. Converted for mail hauling, the new DH-4M-1 was assigned the civil registration number 3258.

After being passed through a series of civilian owners, the plane was sold in 1937 to Paramount Pictures. It appeared in the 1938 movie *Men with Wings*. Famous movie pilot Paul Mantz flew stunts for the movie, and in 1941, he purchased the aircraft from Paramount. The plane also appeared in the films *The Court Martial of Billy Mitchell* (1955) as well as *Spirit of St. Louis* (1957), starring Jimmy Stewart as Charles Lindbergh. In 1962, Mantz loaned the DH-4 to the U.S. Marine Corps to use as a pattern to construct a museum replica. Mantz was killed while filming the final flight scenes of the movie *Flight of the Phoenix* (1966) and the DH-4 was sold at auction the same year.

AIRCRAFT SPECIFICATIONS

DeHavilland DH.4M1

After being displayed in several aviation museums, the rare machine was purchased by Evergreen in 1990. Evergreen loaned the DH-4 to Seattle's Museum of Flight, where it was displayed throughout the 1990s, then returned to the new Evergreen Museum in 2001.

TECHNICAL NOTES:

Total Airframe Time: 1200 hours (Last Flown 1983)

Crew: One

Engine: 400-hp Liberty Motor Company 12 (S/N 5838), 1200 hours

Maximum speed: 128 mph

Cruising speed: 90 mph

Range: 400 miles

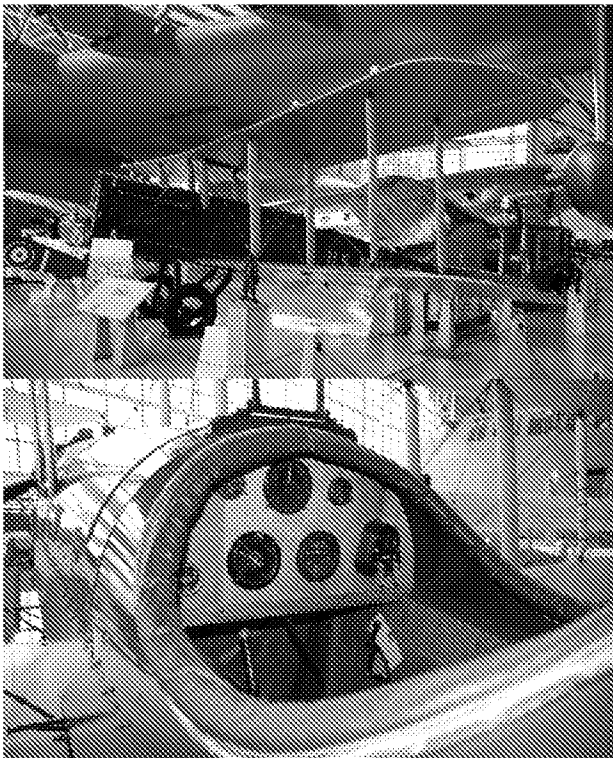
Ceiling: 19,600 ft.

Span: 43 ft. 6 in.

Length: 30 ft. 6 in.

Height: 10 ft. 4 in.

Weight: 3,557 lbs. loaded



AIRCRAFT SPECIFICATIONS

DeHavilland DH.4M1

This valuation is not intended to be a pre-purchase or technical evaluation of the subject aircraft. However, we highly recommend all buyers perform a pre-purchase/technical evaluation prior to the acquisition of any aircraft/asset. We recommend the following items be audited and reviewed: aircraft specifications-description, equipment list, major repair and alteration status (FAA Form 337 if available). This list should include, but may be limited to: component maintenance/modification records, supplemental type certificates, airframe/engine service bulletin reports, airframe/engine airworthy directives, airframe/engine service/maintenance/ overhaul records, actual airframe/engine logbook records, and computerized airframe/engine records. (However, not all items are always made available to AMC\Value\$).



**MARKET VALUE STATEMENT/UNIFORM STANDARDS
OF PROFESSIONAL APPRAISAL PRACTICE
CERTIFICATION**

MARKET VALUE (MV):

***BASED ON THE ENCLOSED VALUATION, OUR APPRAISED MARKET
VALUE OF THE FOLLOWING AIRCRAFT IS:***

DeHavilland DH.4M1, Serial Number ET-4, Registration Number N3258:
\$2,000,000 USD

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE CERTIFICATION

We certify that, to the best of knowledge and belief:

- The facts and data reported contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- The undersigned have no present or prospective interest in the aircraft property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- The undersigned has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- The undersigned have no bias with respect to the aircraft that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Kenneth M. Dufour, **ASA** (41652) is an accredited senior appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for designation (senior and accredited members). I am in compliance with that program.

MARKET VALUE STATEMENT/UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE CERTIFICATION

- Leo V. Heidemann, **ASA** (66377) is an accredited senior appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for designation (senior and accredited members). I am in compliance with that program.
- The undersigned did not make a personal inspection of the aircraft that is the subject of this report.

The information herein has been prepared from many different sources and is believed to be correct. Aviation Management Consulting, Inc. does not warrant the accuracy of the source material. In the event of error or omission, the liability, if any, is limited and may not in any event, exceed the amount paid for the services rendered. Aviation Management Consulting, Inc. reserves the right to recall all copies of this report to correct any omission or errors. Further, Aviation Management Consulting, Inc. accepts no responsibility for usage of the form unless signed by an officer and appraiser of Aviation Management Consulting, Inc. and Aviation Management Consulting, Inc. corporate seal affixed.

Unless otherwise stated, the value given in this appraisal report represents the professional opinion of value as of this 23rd day of July 2012.

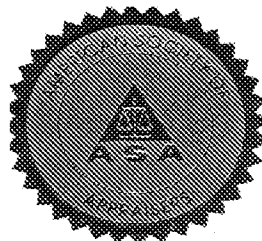


Kenneth M. Dufour, ASA
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers



Leo V. Heidemann, ASA
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

President/CEO
AMCVALUES
AVIATION MANAGEMENT CONSULTING, INC.



AMC\VALUE\$ VALUATION METHODOLOGY

Pursuant to the request of **EVERGREEN INTERNATIONAL AVIATION, INC.**, Aviation Management Consulting, Inc. (AMC\Value\$) is pleased to provide this SUMMARY DESKTOP AIRCRAFT APPRAISAL REPORT for the (*aircraft*) listed in this report. This appraisal assumes that the subject aircraft has had maintenance performed as identified, has valid serviceability (airworthiness) documentation and is maintained by the operator (or a third party maintenance provider) under the regulatory supervision of the USA, DOT (Department of Transportation), FAA (Federal Aviation Administration) or a recognized, national regulatory authority. Values are stated in United States dollars, are rounded to the nearest significant digit and are subject to the descriptions, assumptions, parameters, limiting conditions, standards and methodologies as contained in this Appraisal Report. The purpose of the appraisal is to express an opinion of Current Market Value of the subject aircraft asset as of the effective date, to serve in the determination of asset value for purchase or sales considerations, with all values representing the retail marketplace, utilizing the appropriate approach to value for the assets highest and best use, for an in-service (in-use), airworthy and operational aircraft, on a per-each basis and does not reflect any other valuation criteria (see Valuation Methodology). The highest and best use for the subject is as an airworthy and operating corporate / executive / VIP configured aircraft which is in compliance with all United States civil aviation regulations.

The aircraft asset, which is the subject of this appraisal, was not physically inspected (audited) by AMC\Value\$ for physical existence, condition, conformity, specific characteristics, verification of installed equipment, or quality determination. Therefore, no monetary value adjustments relative to these factors were considered, except for those specifically assumed and delineated in this report. A limited audit of the associated historical records was not performed in support of the appraisal process, nor was the documents supplied by the client verified as to accuracy or wholeness. The appraiser has outlined various assumptions; therefore, a thorough examination of the Statement of Assumptions/ Limiting Conditions is essential.

In this Aircraft Appraisal, AMC\Value\$ made no investigation as to the aircraft (property/asset) ownership, and has taken into consideration any leased equipment, intangible items (operating Certificates, pending restrictions, STC's, or Power-by-the-Hour contracts, etc.), encumbrances (including but not limited to mechanics liens) which may be outstanding or consequences from taxation. Our work contains only general information pertinent to the determination of current market value and the methodology utilized by AMC\Value\$.

AMC\VALUE\$ VALUATION METHODOLOGY (Cont'd)

Details and descriptions of the subject aircraft are included in this report where known. As previously stated, this document is in the form of an Aircraft Appraisal Report and value as of a specified date by utilizing analytical methods (an "aircraft" valuation). The extent of data collected by AMC\Value\$ meets or exceeds the standard industry level for this type of appraisal assignment. Data was collected by personal interview, client/operator supplied information, trade literature, sales offerings, computerized databases, published aircraft manuals, general aircraft informational books, and price guides. The aforementioned data is retained by AMC\Value\$ as in-house library reference materials and file notes.

Based upon AMC\Value\$ aviation expertise, knowledge of the overall new and used aircraft marketplace, this specific model of aircraft and the use to which it has been used in various areas of the world, the factors affecting market value, and our familiarity with aircraft transactions in general, forms the basis of the opinion contained in this report. Values reflect the marketplace as of the date specified in this report and subsequent events may materially impact the stated values.

This report was prepared by AMC\Value\$ for its client **EVERGREEN INTERNATIONAL AVIATION, INC.** The material enclosed herein reflects the professional opinion of AMC\Value\$ pursuant to the information both supplied by the specific aircraft owner or operator and that which was available at the time of preparation. AMC\Value\$ has relied upon oral and written information, data and documents, as provided to AMC\Value\$, for all material facts. This analysis is intended to be merely advisory in nature. This report is not given for, or prepared, as an inducement to any financial transaction and any use or reliance on or decisions made, based upon the data presented is the responsibility of the user. AMC\Value\$ accepts no responsibility for damages, if any, suffered by any party as a result of decisions made or actions taken based on this Aircraft Appraisal Report.

AMC\VALUE\$ VALUATION METHODOLOGY (Cont'd)

The analytical methodology utilized by AMC\Value\$ is based on the Market Approach to value. The *market or sales comparison approach* is that approach to value where recent sales and offering prices of similar aircraft are analyzed to arrive at an indication of the most probable selling price of the aircraft being evaluated. This approach has its theoretical basis in the Principle of Substitution, which states, "The value of a thing tends to be determined by the cost of acquiring an equally desirable substitute."

For this valuation, neither the *COST* nor *INCOME* approaches were examined in detail because it is the opinion of the analyst that by utilizing either of these two approaches, the outcome would result in an inaccurate value conclusion. For further clarification, the *cost approach* (current cost of replacement or reproduction new) is that approach which measures value by determining the current cost of an asset and deducting for the various elements of depreciation, physical deterioration, and functional and economic obsolescence. The *cost approach* was determined to be deficient because of the inability to measure current cost, the full amount of obsolescence and the subjective nature of estimating an appropriate level of depreciation. This approach is normally utilized when a particular aircraft is either new (tending to minimize the error in estimating depreciation) or one, which is used for a special purpose (therefore not frequently exchanged in the market). The *income approach (or investment value approach)*, in its simplest form, is the present worth of the future benefits (income) of ownership. It is not generally applied to individual aviation related assets since it is difficult, if not impossible, to identify individual income streams. This approach involved estimating some level of future income and converting that income to its present worth. The *income approach* was determined to be deficient for this analysis because the subject aircraft is a single asset to which it would be subjective (if not Impossible) to determine a projection of income or a rate of return (commonly referred to as a capitalization rate). As a practical matter, many aircraft operations do not contribute to the generation of revenue (income) in a manner, which can be directly measured or attributed to a specific (single) aircraft.

Market value is defined as the estimated amount at which the aircraft might exchange between a willing buyer and a willing seller, neither being under compulsion and each having knowledge of all relevant facts.

AMC\VALUES VALUATION METHODOLOGY (Cont'd)

The market value of an aircraft, regardless of its use, can be determined through the sales comparable appraisal method. This approach is based upon the premise that an informed buyer would pay no more for an aircraft than the cost of a comparable one. Actual sales prices are used to establish the value of a hypothetical aircraft, like the one under review. The degree of similarity between each aircraft actually sold, and the hypothetical aircraft, determines the weight given to each sale. Assumptions regarding the configuration, condition, and status of the hypothetical aircraft are developed and presented. Although there are no mathematical formulas for calculating hypothetical value, it is not a guess or an unsupported estimate. Hypothetical aircraft value is quantified by weighing all relevant and factual comparable sales data. Adjustments are then made to the hypothetical value to determine the market value of the aircraft under review. These adjustments are based upon the configuration, condition, status and history of the aircraft, as revealed by inspection of the aircraft and its maintenance records. This procedure was used in this case.

In general, Current Market Value analyses are based on quantitative elements with the traditional industry standard of the origin being at mid-life (mid-time between overhaul), when stated, with respect to the airplanes major and traditionally high cost maintenance items: AIRFRAME, ENGINES, APU'S and LANDING GEAR ASSEMBLIES and then adjusting for the specific status of the subject aircraft. To estimate the value of a specific aircraft by utilizing the *market approach* to value, monetary value adjustments are calculated from the BASE AIRCRAFT in relation to its identified characteristics, physical deterioration (condition), obsolescence considerations (technological, functional, and economic), maintenance overhaul, inspection, and repair status.

The following standards and general parameters are utilized for the purpose of standardizing comparisons for the valuation process and are delineated as the BASE VALUE.

- 1.) That the defined BASE AIRCRAFT is airworthy, as of the specified date of manufacture, operating weights, a stipulated configuration and is normalized to half-time remaining (when appropriate and when stated) for its airframe, engine(s), propeller(s), landing gear assemblies and auxiliary power unit (when installed) to the next major overhaul or scheduled shop visit. To state simply, the identified aircraft is at a midpoint between major inspections, maintenance (overhaul), restorations, and/or scheduled repairs.

AMC\VALUES VALUATION METHODOLOGY (Cont'd)

- 2.) It is being or will be operated within the guidelines of a recognized Airworthiness Authority (i.e. Federal Aviation Administration, Canadian Air Transportation Administration, Civil Aviation Authority, etc.) under an approved airline or airframe manufacturer's maintenance program, which is consistent with international standards of airworthiness.
- 3.) All required Airworthiness Directives (A.D.), mandatory modifications and applicable Service Bulletins (S.B.) are compliant to standard industry levels.
- 4.) It is immediately available for revenue airliner services, commuter/regional, corporate/executive and or private usage/operation (unless otherwise noted).
- 5.) The flight deck (cockpit) and passenger or cargo interiors are in a typical aircraft configuration for the specific type and model, with buyer/supplier-furnished equipment and options generally utilized and accepted in the industry.
- 6.) That the aircraft includes (when and where applicable) one complete shipset of: (a) galley inserts i.e. containers, carts (trolleys), ovens, water boilers/coffee brewers, tray carriers, etc.; (b) baggage/cargo containers or pallets consistent with the airplanes capabilities; and (c) the associated historical records, manuals, drawings and other documentation which are normally transferred with an aircraft of this category are properly documented and readily retrievable. All items being in good commercial working order, free of damage or defects, void of significant corrosion and acceptable to the general aircraft market and buyer.
- 7.) Adequate time has been made available to the seller or sales agent in order to maximize the sales price and conversely, sufficient time has been given to the buyer to inspect the aircraft (and records), analyze the transaction and to negotiate relevant terms.
- 8.) That the entire sales process is accomplished strictly on a commercially reasonable fashion with the aircraft transacted on a one-by-one (or each) basis.
- 9.) A willing and knowledgeable seller sells the aircraft to a willing and knowledgeable buyer totally void of duress, misrepresentations, or fraudulent acts, with the transaction consummated for cash with the known fact that financing is reasonably attainable for the subject aircraft from a commercial institution.

AMC\VALUES VALUATION METHODOLOGY (Cont'd)

Additional elements that are sometimes considered for value adjustments in the evaluation process include but are not limited to: total airframe/engine times and cycles (one takeoff and landing), the ratio of total time to total cycles, engine enhancements, engine power-by-the-hour programs (MSP/EMS), maximum operating and or future weight increase eligibility, upgraded interior features and configuration options, increased fuel capacity, main deck cargo door, an APU installation (if no standard equipment), and certain navigational and communication systems.

An airplanes physical condition, relative to standard industry levels for equivalent aircraft, affect market value and remarketing time-span, as does the quality of historical records, applicable documentation and the utilized record retention system. In the event greater valuation accuracy is important, the client should strongly consider engaging an appraiser and/or a qualified technician to perform a physical inspection of the aircraft, which may include: (a) equipment and system functional tests; (b) a test flight; (c) engine borescope inspections; and (d) engine performance runs. The client may want the appraiser to evaluate the historical restoration costs in detail with an FAA approved repair station and to perform an audit of the corresponding historical records for the judgmental determination of physical condition, record quality, specific maintenance status, configuration desirability and consequently to determine the monetary value adjustments that correspond to these various factors.

Deviations from the stated general parameters, assumptions and standards, as well as, the inclusion of creative (lease-to-purchase options) or long term financing by the seller, can have a positive effect on the sales price. Conversely, prices are negatively impacted when an aircraft has been out-of-service for prolonged periods, improperly stored (preserved), has parts and components removed or are time expired, has significant accident history, inoperable parts, records errors and/or omissions, not currently certified as airworthy, or sold in quantity, not-in-use or on a liquidated basis.

The following definition of CURRENT MARKET VALUE was utilized for this appraisal to include the BASE VALUE assumption and is sanctioned by The Appraisal Foundation and the American Society of Appraisers as: The most probable price which a property (aircraft) should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions

AMC\VALUE\$ VALUATION METHODOLOGY (Cont'd)

whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property (aircraft) sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The valuation methodology for an aircraft differs from standard methods used in appraising other types of machinery and equipment.

First, the methods by which individual aircraft OEM, brokers, dealers, and financial institutes maintain reference values vary somewhat. Therefore, we have created a consistent reference evaluation for current and forecasted values.

Second, standardization of adjustments for specific aircraft conditions: times, cycles, maintenance history, and actual physical condition likewise were developed.

To achieve the aircraft appraisal objectives, **AMCValue\$** Valuation Services maintains the "**AMCVALUE\$ Digest**", containing detailed records on the vast majority of available General Aviation and Air Transport aircraft.

The detailed information appertaining to each record includes, where available, the current or most recent OEM Price and secondary reference, Current Market Price. In most cases these reference prices are posted as replacements for whatever internal reference prices are maintained by the company. This exercise provides a level of consistency from one appraisal to the next.

The methodology consist of these independent steps because of inconsistencies from broker to broker/dealer to dealer as what their wholesale or cost and retail or selling values are, we convert each value to an outside, independent analysis value. This value number represents the Current Market Value. Once CMV price has been established, we convert each aircraft type, specifications, and current condition to a Current Market Value.

Then as often required, the Current Market Value is calculated to an Orderly Liquidation Value (for out-year time frames).

AMC\VALUE\$ VALUATION METHODOLOGY (Cont'd)

Once all of the required information has been compiled from all available sources, AMC\Value\$' Current Market Values are generated. This process is proprietary and will not appear in the aircraft appraisal report.

Data contained in this report is valid only on the date of the issuance of this report. Due to the dynamic trends in the aerospace industry, we recommend that a valuation update be conducted after two (2) years. After two (2) years from the effective date, the appraisal should be updated and the user of this document can assume it to be in need of an appraisal update. Aviation Management Consulting, Inc. makes representation concerning the value of the subject aircraft. The customer or third party using this report as a part of their purchase decision process should recognize that this appraisal/valuation report is limited in scope and that discrepant conditions may exist in the aircraft which were not discovered or recorded during this appraisal/valuation. The customer authorizing this appraisal/inspection has covenanted not to sue, agreed to defend, indemnify, and hold Aviation Management Consulting, Inc. (AMC\Value\$) harmless from and against all claims asserted by the customer or any third party. Aviation Management Consulting Inc. is also clear from all damages, losses, and expenses, including attorney fees, arising out of or resulting from this appraisal/valuation or the condition of the aircraft inspection. This is regardless of whether or not resulting in whole or in part of any negligence of Aviation Management Consulting, Inc. (AMC\Value\$).

STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS (Cont'd)

These are extraordinary assumptions and limiting conditions utilized by AMC\Value\$ in this aircraft appraisal.

- (1) Ownership interest in the subject aircraft is not known and the appraiser renders no opinion as to legal fee or title. Prevailing liens, mortgage debt, leases, special assessments, or other encumbrances were disregarded and the aircraft was valued as if free and clear (unless otherwise specifically stated).
- (2) All estimates of value presented in this report are the appraiser's professional opinion.
- (3) This appraisal has not taken into consideration any consequences from taxation.
- (4) The subject aircraft is assumed to have/be: (a) airworthy to FAA, FAR's Part 91,121,135 regulations; (b) had accomplished all required maintenance performed since placed into service (including Airworthiness Directives) by and in accordance with an internationally approved maintenance program; (c) retained on a computerized maintenance planning system with no record deficiencies; (d) maintenance costs and specific airframe and engine status as identified; (e) upgraded avionics; (f) capable of being operated and flown on the effective date; (g) with exterior paint and interior cabin in reported "better than average" physical condition; and (h) all equipment in working order.
- (5) The subject appraisal includes value adjustments for specific maintenance status and characteristics where applicable and as provided by the client/owner or operator. It is assumed that all associated historical records are in existence, well organized and retrievable to include: aircraft, engine(s) and APU logbooks, flight logbooks, Airworthiness Directives/Service Bulletins (with method of compliance), Life Limited part/Component documents, FAA Form 337's, 8130's and all other applicable regulatory documents required for certification and operation.
- (6) A limited record audit was not performed and the appraiser assumes that the complete record quality is adequate for certification and registration in a developed nation. Maintenance status and characteristics, which have been provided by the owner/operator, forms the basis for this report. AMC\Value\$ does not verify this data for accuracy.
- (7) Various adjustments to value may not have been made because the appraiser could not confirm or quantify valuation impact without the

STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS (Cont'd)

performance of an invasive physical inspection (inclusive of borescope, NDT and flight test) and/or a detailed historical record audit. In determining value adjustments for those cases where data was not provided or known, AMC\Value\$ has made the assumption that the item is in **average operating condition**, in **average physical condition** (at least equal to standard industry levels) and is at **half-life overhaul status**. The limitations and assumptions as stated in this article may either increase or decrease the market value of the subject aircraft.

- (8) AMC\Value\$ reserves the right to reevaluate the subject aircraft if any of the above listed ASSUMPTIONS OR LIMITING CONDITIONS are materially modified. We reserve the right to make such adjustments to the estimate of value as herein reported as may be required by consideration of additional or more reliable information that may become available.

All facts and data set forth in this report are true and correct to the best of your appraiser's knowledge and belief.

Personal inspection of the aircraft has been made, unless a desktop/extended desktop appraisal was performed or indicated otherwise.

The fee for this appraisal report is not contingent upon the values reported. There have not been any guarantees associated with this fee and no liability can be intimated or assumed in any manner.

As the addressee has purchased this report, we assume it is to be used by the addressee in determination of value at that point in time. Use of this report by others should be done so with the understanding that no risk or guarantees have been purchased by the owner of the report nor through the fee paid to the appraiser.

The physical condition of the property described herein was based upon visual inspection by the appraiser/inspector if an audit was conducted. No responsibility is assumed for latent defects of any nature whatsoever, which may affect its value, nor for any expertise require disclosing such conditions.

No consideration has been given to any liens or encumbrances, which may be held against the aircraft appraised.

STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS (Cont'd)

No investigation of legal fee or title to the property has been made and the claim to the property has been assumed to be valid.

Neither the appraiser nor any officer or employ of **AVIATION MANAGEMENT CONSULTING, INC.** (AMC\Value\$) has any financial interest in the property appraised.

All opinions regarding the values are the appraiser's considered opinions based upon the facts and data set forth in this report.

This appraisal is based upon *Current Market Value* as defined in the "Valuation Methodology Terms & Definitions" Section of this report.

No additional values or appraisals have been made regarding such intangibles as patents, rights to manufacture, trademarks, goodwill, customer lists, etc.

A physical audit/inspection was not performed; thus the values are based upon data provided by the principal partners involved in this transaction.

This aircraft appraisal does not constitute a pre-purchase or technical evaluation. Power plant serial numbers will not be physically verified during our audit/inspection.

This appraiser reserves the right to recall all copies of this report to correct any omission or error.

The market approach valuation concept used in this report is one chosen by the client and should also be considered a recommendation by **AVIATION MANAGEMENT CONSULTING, INC.** (AMC\Value\$) as to what might result in any later application of the concept. Concept probability and/or feasibility are beyond the scope of the appraisal. The user of the report is to determine the probability of occurrence. The appraisal is purchased in order to allow an opinion of value under an assumed set of circumstances, as requested and mutually agreed upon by the client and **AVIATION MANAGEMENT CONSULTING, INC.** (AMC\Value\$).

This valuation study has been made by **AVIATION MANAGEMENT CONSULTING, INC.** (AMC\Value\$) and will be kept confidential. It has been prepared by an experienced ASA certified appraiser and is based on information, where possible, from manufacturers, sales comps, dealers, brokers, etc.

STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS (Cont'd)

The analysis and final conclusion is arrived at from many years of experience in the sale and appraisal of aircraft.

For all areas of this appraisal, the assigned values represent the amount a reputable and qualified ASA certified appraiser, unaffected by personal interest, bias or prejudice, would recommend to a prospective purchaser as a proper price or cost within the value concept and in light of prevailing conditions.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

This appraisal has been prepared in conformity with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice.

AMC\Value\$' Field Audit Conditions:

Only current maintenance, overhaul, repair and records/documentation for the subject aircraft/asset are reviewed. A limited review of the historical maintenance, overhaul, repair records/documentation for the subject aircraft/asset; is audited if that aircraft/asset has been in operation over five years from the date of the appraisal. Powerplant serial numbers will not be physically verified during our audit/inspection.

Aircraft/assets with maintenance overhaul, repair records/documentations recorded in any language other than English (the ICAO recognized aviation standard) will not be translated or reviewed by AMC\Value\$.

AMC\Value\$ will not reconstruct lost or destroyed records. However, if reconstruction is required, (it is not possible to determine reconstruction time), please allow 8-12 months).

Additionally, a historical research on the complete FAA File on FAA Form 337's (major repair and alteration) will not be conducted unless specifically required by individual requesting the valuation. If this research is requested, a 45-60 days time frame allowance will be required for completion of valuation assignment.

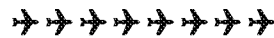
Damage diminution is a very subjection concept in the aviation market. Even though most experts confirm its role in negotiating the purchase or sale of an aircraft, there is no specific technique or principles that can be applied in every case of diminution.

STATEMENT OF ASSUMPTIONS/LIMITING CONDITIONS (Cont'd)

This aircraft characteristic (damage) is one of the multitudes used during the negotiating process and is very hard to isolate its effects because every airplane has a different history and a different perception of worth. In transactions, the buyer will always be the final judge of the "value" of the aircraft including the diminution factor in his or her evaluation.

As the aircraft continues to mature over time, additional inspections, calendar time, hours, and landings will tend to lessen the overall impact of a damage incident.

AMC\Value\$ will conduct an extremely limited analysis/review of any damage in our valuation analysis. A complete detail evaluation may be required. This evaluation/technical assessment can take 30-60 days and will require additional cost.



VALUATION METHODOLOGY TERMS & DEFINITIONS

GLOSSARY OF VALUATION TERMS AND DEFINITIONS

Age/Life Analysis is an arithmetic process used to calculate a property expired life and/or remaining useful life.

Appraisal Date is the specific date to which the values contained within an appraisal apply.

Asset is property of all kinds, both tangible and intangible.

Average Life is the normally expected life of a property.

Average Remaining Life is the average remaining term of service for asset(s) under investigation, usually expressed in years.

Book Value is the capitalized cost of an asset less the depreciation taken for financial reporting.

Chronological Age is the number of years elapsed since an item of property was originally built.

Cost Approach is one of the three recognized approaches used in appraisal analysis. This approach is based on the proposition that the informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject property. It considers that the maximum value of a property to a knowledgeable buyer would be the amount currently required to construct or purchase a new asset of equal utility. When the subject asset is not new, the current cost new for the subject must be adjusted for all forms of depreciation and obsolescence as of the date of the appraisal.

Current Market Value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. (Treasury Regulation Sec. 20.2031-1[b])

The components of this concept are:

1. Price at which property would change hands
2. Between a willing buyer and willing seller
3. Neither party under compulsion to buy or sell
4. Both parties having reasonable knowledge of all relevant facts as the valuation date.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

5. The sale is made to the ultimate consumer in the appropriate market level.

Depreciation (Accounting) is the mathematical procedure for recovering the original cost of an asset in consistent installments over a specific period.

Depreciation (Accumulated) is an account in which depreciation provisions are recorded and totaled: the total depreciation accrued to a given date.

Depreciation (Appraisal) is the actual loss in value of a property from all causes including those resulting from physical deterioration, functional obsolescence, and economic obsolescence.

Economic Obsolescence is a form of depreciation or loss in value caused by unfavorable external conditions.

Economic Useful Life is the estimated period of time over which it is anticipated an asset may be profitably used for the purpose for which it was intended. This time span may be limited by changing factors of obsolescence and/or physical life.

Effective Age is the apparent age of an asset in comparison which a new asset of like kind. It is often calculated by deducting the Remaining Useful Life of an asset from the Normal Useful Life.

Estimated Remaining Life is the period over which an item or groups of items are estimated to remain in use (also known as *estimated remaining useful life*).

Extraordinary Assumption is an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Fixed Assets are permanent properties synonymous with "capital assets," usually consisting of land, buildings, machinery, and equipment permanently employed in the rendering of a service or the production of a product.

Forced Liquidation Value is the estimated gross amount expressed in terms of money that could be typically realized from a property advertised and conducted public sale, with the seller being compelled to sell, as of a specific date, with a sense of immediacy on an as-is/where-is basis, without regard to the relevant marketplace.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Functional Obsolescence is a form of depreciation in which the loss in value is due to factors inherent in the property itself and changes in design, materials, or process resulting in inadequacy, over capacity, excess construction, lack of functional utility, excess operating costs, etc.

Highest and Best Use is the most probable and legal use of vacant land, an improved property or machinery and equipment physically possible, appropriate supported, financially feasible, and that results in the highest value. The fur criteria that highest and best use must meet are legal permissibility, physical possibility, financial possibility and maximum profitability.

Historical Cost is the initial capitalized cost of an asset at the time it was first put into service.

Income Approach is one of the three recognized approaches used in appraisal analysis. This approach considers value in relation to the present worth of future benefits derived from ownership and is usually measured through the capitalization of a specific level of income.

Insurable Value is the value of that portion of a property covered by insurance in accordance with the terms of the insurance policy or other agreement.

Insurable Value Depreciated is the insurance replacement cost less accrued depreciation considered for insurance purposes, as of a specific date and as defined in the insurance policy or other agreement.

Insurable Replacement Cost New is the replacement cost new as defined in the insurance policy less the cost new of the items specifically excluded in the policy, as of a specific date.

Market or Sales Comparison Approach is one of the three recognized approaches used in appraisal analysis; this approach involves the collection of market data pertaining to the subject assets being appraised. This approach is also known as the "Comparison Sales Approach". The primary intent of the market approach is to determine the desirability of the assets through recent sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised. If the comparable sales are not exactly similar to the asset being appraised, adjustments must be made to bring them as closely in line as possible with the subject property.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Market Value is similar to Current Market Value except that the provision for lack of compulsion to buy or sell is removed and the assumption of a sale within a specified time frame is added.

The federally accepted definition of Market Value as stated in the Definition Section of *USPAP* is as follows: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated
2. Both parties are well informed or well advised, and each acting in what he considers his own best interest
3. A reasonable time is allowed for exposure in the open market
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Normal Useful Life is the life, usually in terms of years, that an asset will endure before it deteriorates to an unusable condition. It is derived from mortality data and the study of specific assets under actual operating conditions. (See Economic Life)

Orderly Liquidation Value is the estimated gross amount expressed in terms of money, which could be typically realized from a sale, as of a specific date, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an as-is/where-is basis, in an appropriate and relevant marketplace with knowledgeable buyers.

Original Cost is the initial capitalized cost of the asset in hands of its present owner.

Physical Deterioration is a form of depreciation where the loss in value or usefulness of an asset is attributable solely to physical causes such as wear and tear and exposure to the elements.

Price is the amount or cost of an item. (Not necessarily equal to value.)

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Property is the lawful right of ownership of future benefits from tangible and intangible assets. Any asset including cash, in which the title is ordinarily transferable between parties.

Remaining Economic Life is the estimated period, usually expressed in terms of year, during which property will continue to contribute value.

Remaining Useful Life is the remaining physical life of the asset. It is calculated by deducting the effective age of the asset from the normal useful life.

Residual Value in connection with a tangible asset, it is the term, which refers to the value of an asset after expiration of its normal useful life.

Residual Value (Accounting) is the estimated net scrap, salvage, or trade-in value of a tangible asset at the estimated date of disposal; also called salvage value or disposal value.

Residual Value (Forecast) is the estimated Current market value in exchange as of a future date with no consideration given to the effects of inflation or deflation measured from the appraisal date; assuming the aircraft is in good condition and will continue to be maintained in good operating condition with normal preventive maintenance; and assuming the market for used aircraft of the nature at the future date will not reflect unusual conditions of supply and demand.

Residual Value (Lease) is the value of the leased equipment at the conclusion of the lease term. To qualify the lease as a "true lease" for tax purposes, the estimated residual value of the leased equipment at the end of the lease term must equal at least 20 percent of the original cost of the equipment, without regard to inflation. (However, the lessor is not required to book any residual for financial accounting purposes.

Reproduction Cost (New) is the current cost of reproducing a new replica of a property with the same or closely similar materials.

Replacement Cost (New) is the current cost, new, or a similar new property having the nearest equivalent utility as the property being appraised.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Salvage Value is the estimated amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere.

Scrap Value is the estimated amount, expressed in terms of money, that could be realized for the property, as of a specific date, if it were sold for its material content not for a productive use.

Tangible Assets are any physical properties such as land, building, machinery and equipment.

Useful Life is the period of time over which property may reasonably be expected to perform the function for which it was designed.

Value is the amount, relative worth, utility, or importance of an item (not necessarily equal to price or cost).

PRICE vs. VALUE

What is Price?

Sometimes called cost, the term “*price*” refers to an amount of money asked or actually paid for an item. It may be more or less than the item’s value.

What is Value?

Value is the sum of money that, if paid at a particular time, would be the equivalent to the benefits that would accrue to the purchaser beginning at that time: to simplify what it is worth.

Value is a lump sum of money (a capital amount) that is being exchanged at a particular point in time for future benefits. Thus, value is dated. It is subjective in that it must be estimated.

Going Out into the Market Place:

VALUE: What is it worth?

Value= supply, demand, condition – Value can be thought of as the sum total of quality, physical condition, maintenance status/history, and age/component times/cycles.

Market Comparison Approach

The market comparison approach in appraisal analysis involves the comparison of recent sales (or offerings) to the subject assets being appraised. This analysis is also known as the “sales approach.”

The primary focus is to determine the desirability of the subject assets through the analysis of recent comparable sales or offerings of similar assets currently on the market in order to arrive at an indication of the most probable selling price for the assets being appraised.

If the comparables are not exactly like the assets being appraised, adjustments must be made to the comparable sales to bring them as close as possible to the characteristics of the subject.

Some of the adjustments that can be made are for:

- a. Age (manufactured date)
- b. Aging aircraft considerations
- c. Overall condition
- d. Times/cycles (engine/airframe)
- e. Model/Serial Number
- f. Damage incidents
- g. Maintenance status (due and upcoming events)
- h. Paint and interior refurbishment condition
- i. Modification status
- j. Principle specifications
- k. Avionics specifications
- l. Record status
- m. Airworthiness status
- n. Noise compliance

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

The Sales Comparison Approach “Valuation Methodology” USPAP (Uniform Standards of Professional Appraisal Practice) endorsed by ASA (American Society of Appraisers – Machinery & Technical Specialties – Aircraft:

VALUE: What is it worth?

Value= supply, demand, condition – Value can be thought of as the sum total of quality, physical condition, maintenance status/history, and age/component times/cycles.

The aircraft appraiser uses the sales comparison approach to indicate value by analyzing recent sales (or offering prices) of properties that are similar (i.e., comparable) to the subject property. If the comparables are not exactly like the properties being appraised, the selling prices of the comparables are adjusted to equate them to the characteristics of the properties being appraised. The basic procedure is to gather data on sales and offerings of similar aircraft, determine their comparability to the subject property, determine the appropriate units of comparison, collect and array the data, analyze and adjust the data, and apply the results to the subject. Like the cost and income approaches, the sales comparison assumes that the informed purchaser would pay no more for a property than the cost of acquiring a comparable property with the same utility.

This approach focuses on the actions of actual buyers and sellers. In theory, the approach measures the loss in value from all forms of appraisal depreciation that are inherent in the individual aircraft, assuming appropriate adjustments are made to the comparables to reflect differences between them and the subject.

The used market is an established means of buying and selling aircraft. The used market consists of used aircraft dealers, auctions, and public and private sales, and is usually the most reliable method of determining certain types of value for certain types of aircraft.

The sales comparison approach is most reliable when there is an aircraft market providing a sufficient number of sales of comparable aircraft that can be independently verified through reliable sources. The important concepts are “active market” and “verifiable/reliable information.” An active market has truly independent transactions occurring under free market conditions. When researching market sales, the appraiser should verify that the sales are independent rather than being conducted by one seller or buyer (the latter situation could create a false appearance of an active market). There is no set number of sales that make a market.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Comparable Sales and Adjustments

Recent sales of aircraft *identical* to the subject often cannot be found. If so, it is necessary to find sales of aircraft providing comparable or equivalent utility. It should be understood that “comparables” would often be just that: comparable but not identical to the subject.

If the comparable sale is not identical to the subject, the selling price of the comparable must be adjusted to indicate what the selling price of the comparable would have been if the comparable had been identical to the subject. The appraiser should remember that adjustments are made to the comparables, not to the subject property. Adjustments are made for differences between the comparable's and subject's condition, aircraft times, cycles, specification, effective age, date of sale, circumstances of sale (level of trade or to a dealer, “as-is, where-is” condition, etc.), location environmental compliance, safety compliance, and other factors that would have affected the sale price of the comparable.

When adjusting a comparable sale, the appraiser is determining how much more or how much less the comparable would have sold for if it had been identical to the subject in a given single characteristics, such as effective age. For example, if the comparable's effective age was ten years, compared to the subject's effective age of five years, the appraiser would normally make an upward adjustment to the comparable's actual selling price (i.e., increase the comparable's selling price) to reflect the appraiser's opinion of what the comparable's selling price would have been if its effective age (when it sold) was five years instead of its actual effective age of ten years.

Comparable sales are not the only value indicators an appraiser may use. Current offerings or listings may also be considered.

In and of itself, the number of comparable aircraft that are currently available in the used market may have a bearing on the value of the subject. If many comparables are being offered for sale, prices may be depressed and there may be little demand for the subject property.

The appraiser should be familiar with the market applicable to the subject aircraft. This market may be local, regional, national, or in some instances international. The international market requires consideration when older aircraft are sold to operators in developing countries. Aircraft that is obsolete or unable to be operated competitively in the United States may be profitably used in developing economics where there is lower labor, raw material, or other costs.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Appraisal Method (Aircraft)

Market value is defined as the estimated amount at which the aircraft might exchange between a willing buyer and a willing seller, neither being under compulsion and each having knowledge of all relevant facts.

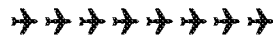
The market value of an aircraft, regardless of its use, can be determined through the comparable appraisal method. This approach is based upon the premise that an informed buyer would pay no more for an aircraft than the cost of a comparable one. Actual sales prices are used to establish the value of a hypothetical aircraft, like the one under review. However actual sales data is extremely confidential and very difficult to obtain, especially the truth and actual price. The degree of similarity between each aircraft actually sold, and the hypothetical aircraft, determines the weight given to each sale. Assumptions regarding the configuration, condition and status of the hypothetical aircraft are developed and presented. Although there are no mathematical formulas for calculating hypothetical value, it is not a guess or an unsupported estimate. Hypothetical aircraft value is qualified by weighing all relevant and factual comparable sales data. Adjustments are then made to the hypothetical value to determine the market value of the aircraft under review. These adjustments are based upon the configuration, condition, status and history of the aircraft, as revealed by inspection of the aircraft and its maintenance records. This procedure was used in every valuation conducted by AMC\Value\$.

Certain commercial firms publish aircraft guides, or bluebooks, which contain opinions (a representative average value) on typical prices. These reference books are useful in many ways, but their opinions (a representative average value) on values are not based upon actual and identifiable sales. The most accurate bases for an aircraft market value are comparable sales offering, including aircraft serial number, the date of sale, specific status, the seller, the buyer, and the actual price paid.

Actual sales should be used in estimating the base value of a hypothetical aircraft. Assumptions regarding the status and configuration of the subject aircraft are made. Information regarding transaction dates, serial numbers, and the parties involved should be obtained from the FAA registry branch Oklahoma City, if obtainable. Sales prices should be obtained directly from the principals involved, or other reliable sources. Sources that provide current market offering are obtained and updated daily by AMSTAT Corporation (Market Scan of aircraft for sale). Depending on specific models, offerings will remarket (on an average) for 8-10% less than asking price listed on AMSTAT Market Scan.

VALUATION METHODOLOGY TERMS & DEFINITIONS (Cont'd.):

Appraisal points relative to any aircraft require that it have original logs maintenance records, excellent paint and interior and minor insignificant damage history. In addition, an aircraft should be no more than six months out of an annual inspection and/or have recently completed a phase or progressive maintenance event, and be in compliance with all Airworthiness Directives and mandatory service bulletins. The engine times remaining should be of an acceptable and established limit, which is, generally speaking, mid-time on most aircraft, but could possibly vary from aircraft to aircraft. Special value consideration is extended to engines enrolled on industry accepted power by the hour programs such as Honeywell/Allied Signal's MSP program, Pratt & Whitney's ESP program, Lycoming's COMP program, or Jet Support Services' engine maintenance program.



American Society of Appraisers
Principle of Appraisal Practice and Code of Ethics

In a Society which not only permits but also encourages the private ownership of productive property and one which also engages in large and multitudinous public works, there appears, on every hand, a necessity for the appraisal of property. In fact, property appraisals are used throughout the economic, governmental, legal and social activities of such a society.

As the vocation of property appraisal has developed during past decades from a business occupation into a professional, certain concepts have emerged and become clear. The word "property" is now given to physical things and also to the legal rights of ownership of tangible or intangible entities. Appraising is now considered to encompass three classes of operations, namely,

1. The estimation of the cost of producing or replacing physical property.
2. The forecasting of the monetary earning power of certain classes of property.
3. The valuation or determination of the worth of property.

The American Society of Appraisers occupies a unique position among professional appraisal societies in that it recognizes and is concerned with all classes of property: real, personal, tangible, and intangible, including real estate, machinery and equipment, buildings and other structures, furnishings, works of art, natural resources, public utilities, gems and jewelry, investment securities, and so forth. It is also unique in that it recognizes the threefold character of the appraisal function.

In recognizing the need for the highest professional competence among appraisers, the American Society of Appraisers actively supports recognized institutions of higher learning in their scholastic programs, which are designed to provide the necessary academic background to both appraiser aspirants and to the qualified professionals who desire to update and broaden their professional skills.

The necessity for a set of authoritative principles and a code of professional ethics, broad enough to cover all classes of property as well as the complexities of the various appraisal procedures, is a pressing one. Previous statements of principles have dealt almost exclusively with real estate. Existing codes of ethics are, in large measure, couched in such general moralistic terms that they are impractical for specific application.

Violation of any provision or rule of the Code should not give rise to a civil cause of action and should not create any presumption or evidence that a legal duty has been breached nor should it create any special relationship between the appraiser or any other person. This Code is designed to provide guidance to appraisers and to provide a structure for regulating conduct of members of the ASA through disciplinary actions. Violations of the Code are not designed or intended to be the basis of any civil liability. (January 1990)

To meet the need for a comprehensive set of guideposts and for a specific code of ethics, the Society has prepared and presents herewith The Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

American Society of Appraisers
Authorized June 30, 1968
Revised December 1995

Uniform Standards of Professional Appraisal Practice (USPAP)
Appraisal Standards Board of The Appraisal Foundation

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, publishes, interprets and amends the *Uniform Standards of Professional Appraisal Practice* (USPAP) on behalf of appraisers and users of appraisal services. Because state and federal regulatory agencies and others will use USPAP, the ASB has adopted a publication policy to ensure that everyone is informed of interpretations of or amendments to USPAP in a regular and timely manner.

Origin and History of USPAP

The Appraisal Foundation bases these Standards on the original Uniform Standards of Professional Appraisal Practice developed in 1986-87 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987. Prior to the establishment of the ASB in 1989, USPAP had been adopted by major appraisal organizations in North America and had become recognized as the generally accepted standards of appraisal practice.

At its organizational meeting on January 30, 1989, the ASB unanimously approved and adopted the original USPAP as the initial appraisal standards promulgated by the ASB. USPAP may be altered, amended, interpreted, supplemented, or repealed by the ASB after exposure to the appraisal profession, users of appraisal services, and the public in accordance with established rules of procedure.

The purpose of these Standards is to establish requirements for professional appraisal practice, which includes appraisal, appraisal review, and consulting, as defined. The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

These Standards are for appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply; neither The Appraisal Foundation nor its Appraisal Standards Board is a government entity with the power to make, judge, or enforce law. Individuals comply with these Standards either by choice or by requirement placed upon them, or upon the service they provide, by law, regulation, or agreement with the client or intended users to comply.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. This *Uniform Standards of Professional Appraisal Practice* (USPAP) reflects the current standards of the appraisal profession.

The importance of the role of the appraiser places ethical obligations on those who serve in this capacity. These Standards include explanatory Comments and begin with an ETHICS RULE setting forth the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct. In addition, these Standards include a COMPETENCY RULE that places an immediate responsibility on the appraiser prior to acceptance of an assignment as well as during the performance of an assignment. DEFINITIONS applicable to these Standards are also included. The Standards contain binding requirements.



Curriculum Vitae *Kenneth M. Dufour*

AMC\VALUES

"THE AEROSPACE VALUATION AUTHORITY"

OVER 40 YEARS OF AVIATION EXPERIENCE

Kenneth M. Dufour brings a unique combination of flying, hands on aviation experience, and academic involvement to his consulting practice.

Mr. Dufour's aviation career spans over 30 years of aviation involvement. He has held positions of increasing responsibility; including Regional Marketing Manager, Area Manager, Regional Vice-President, for Gulfstream Aerospace; Honeywell, BF Goodrich Aerospace, Allied-Signal, and Litton Aero Products.

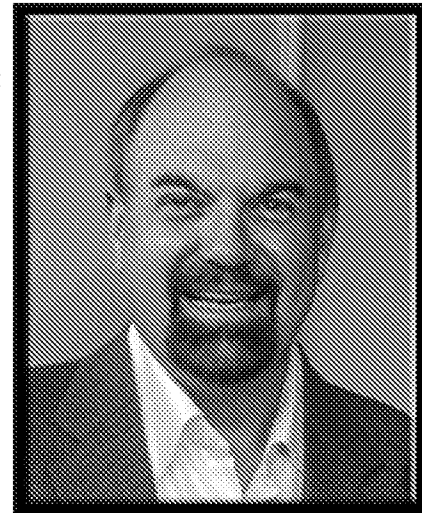
He has been involved in several business expansions; corporate re-engineering programs and has a leadership record of exceptional performance results. His contribution to these programs has been in the development and program management of key corporate initiatives (including Market Analysis and Forecast, New Product Introduction, Product-Line Expansion, Budgeting, Staffing, and Business Development Programs). He has been recognized

for his excellence in Business Development, Customer Growth, Sales Achievement, and Customer Support throughout his career.

His portfolio includes a wealth of avionics experiences and knowledge on various Flight Deck Systems in numerous aircraft including Corporate, Air Transport, Regional Airline, and Military Applications.

Avionics experiences include Conceptual and Systems Design, Flight Operations, FAA Certification, and marketing/business development of these systems. These systems include Inertial, Omega, GPS Long-range Navigation System, Reactive and Forward Looking Windshear, TCAS I & II, CNI, ACARS, Satcom, as well as Flight Management Systems.

Mr. Dufour provides aircraft appraisal, valuations, audit, inspection services for different segments within the aviation community, performs duties as an arbitrator and forensic appraiser. These services include current and future value



assessments for different aircraft as well as expert testimony in reference to aircraft values. He is an Author of Aerospace Technical/Valuation Reports, a course developer, as well as a Consultant, Adjunct Professor, and Guest Lector for Embry-Riddle Aeronautical University*.

AMERICAN SOCIETY OF APPRAISERS ACCREDITED SENIOR APPRAISER

Mr. Dufour belongs to the American Society of Appraisers where he holds the designation of ASA**** (Accredited Senior Appraiser), an aviation course developer and instructor, and a member of the International MTS Committee. Additionally, he is a member of the Business Aviation Subcommittee under the Transportation Research Board.** He is a past (2003-2005) member of the Board of Directors of the National Aircraft Finance Association.

Mr. Dufour earned a Bachelor of Professional Aeronautics and Master of Aviation Management Degree from Embry-Riddle Aeronautical University* in Daytona Beach, Florida. He is a licensed Airline Transport Pilot and a Certified Flight Instructor for Single-Engine, Multi-Engine, and Instruments. Ken is a Co-Chairman Trustee of Embry-Riddle Aeronautical University, on the Board of Directors for Aviation & Space Technology Academy at ERAU, and a member trustee of the Association of Governing Boards of Universities and Colleges.



Mr. Dufour currently is an aerospace consultant for the Gerson Lehman Industrial Council and Vista Research (division of Standard & Poor's) and the Round Table Group, where he provides consulting on Aerospace/Aviation topics. Mr. Dufour has been a full-time, independent aircraft and aerospace asset appraiser and portfolio manager for the last ten years with over 30 years of aviation industry experience.

In 1991 Mr. Dufour established Aviation Management Consulting, Inc. in Rockford, Illinois to furnish management, marketing/business development, valuation services, and technical needs for the aerospace marketplace.

*Embry-Riddle, the world's largest, fully accredited university specializing in aviation and aerospace, offers more than 30 degree programs in its colleges of Arts and Sciences, Aviation, Business, and Engineering and meets the needs of students and industry through its educational, training, research, and consulting activities. Embry-Riddle educates more than 40,000 students annually through the master level at residential campuses in Prescott, Arizona and Daytona Beach, Florida, through the Worldwide Campus at more than 130 teaching centers in the United States and Europe, and worldwide through distance learning. Mr. Dufour is the Chairman of Student Affairs Committee, a member of the Executive Committee, Flight Safety and Institutional Advancement Committees. He has been a Embry-Riddle Aeronautical University Board of Trustee member for over 10 years.

** The Transportation Research Board (TRB) is a unit of the National Research Council, a private, nonprofit institution that is the principal operating agency of the National Academy of Sciences and the National Academy of Engineering. The Board's mission is to promote innovation and progress in transportation by stimulating and conducting research, facilitating the dissemination of information, and encouraging the implementation of research results.

TRB fulfills this mission through the work of its standing technical committees and task forces addressing all modes and aspects of transportation; publication and dissemination of reports and peer-reviewed technical papers on research findings; administration of two contract research programs; conduct of special studies on transportation policy issues at the request of the U.S. Congress and government agencies.

*** The National Aircraft Finance Association (NAFA) was established to promote the general welfare of those persons and organizations who provide financing/leasing for the purchase of aircraft or who make loans secured by aircraft; to improve such industry's service to the public; to cooperate with government officials in furthering the national welfare; and to carry out other activities recognized as lawful and beneficial for such type of organization.

**** The American Society of Appraisers is an organization of appraisal professionals and others interested in the appraisal profession. International in structure, it is self-supporting and independent. The oldest and only major appraisal organization representing all of the disciplines of appraisal specialists, the society originated in 1936 and incorporated in 1952. ASA's headquarters is in the metropolitan Washington, D.C., area.

The society is dedicated to the benefit of the appraisal profession. It is one of eight major appraisal societies that, in 1987, founded the Appraisal Foundation, a national nonprofit organization created to establish uniform criteria for professional appraisers. Since 1989 The Appraisal Foundation has been recognized by the U.S. Congress as the source for the development and promulgation of appraisal standards and qualifications.

Mr. Dufour has been officially recognized by ASA (2002-2003) for his exemplary service, dedication, and untiring efforts in the development, coordination, and implementation of the Technical Management Professional Valuation Specialty degree program at Embry-Riddle Aeronautical University and the aviation specific MTS courses for the American Society of Appraisers.

In August 2008, Mr. Dufour received the Jerry F. Larkins Award from the ASA recognizing his exceptional volunteer service and leadership on the part of an ASA member.

Kenneth M. Dufour, Accredited Senior Appraiser
Property Economics Professional

AVIATION MANAGEMENT CONSULTING, INC.

3645 Foxborough Lane, Suite 1011A

Rockford, IL 61114-7062 USA

Telephone: (815) 633-1684

Facsimile: (815) 633-1696

Cellular: 815-621-9494

A circular seal for the American Society of Appraisers (ASA). The outer ring contains the text "AMERICAN SOCIETY OF APPRAISERS" and "1936". The inner circle contains the text "PROFESSIONAL APPRAISER" and "KENNETH M. DUFOUR".

CURRICULUM VITAE

LEO V. HEIDEMANN, ASA

822 Woodlane Avenue
Rockford, IL 61107

Cell: 815.519.7311



Accredited Senior Appraiser
American Society of Appraisers

PROFILE

Dedicated aircraft appraiser with over 30 years of an accomplished aviation background, as a results oriented after-market specialist and managing customers needs.

EDUCATION

Parks College of St. Louis University**, B.S. Aviation Maintenance Management

Technical Skills
FAA Licensed Airframe and Power Plant Mechanic

PROFESSIONAL EXPERIENCE

Since October 2001, Mr. Heidemann has been a full time appraiser and consultant with Aviation Management Consulting, Inc., His duties include aircraft appraisal valuations (current and future value assessments), audit, consulting and inspection services.

During his tenure in the aviation industry he has held increasingly demanding positions. These include Business Repairs Manager, Customer Service Supervisor and Customer Support Representative with Envirovac, Inc., Vacuum Waste Systems, creating and implementing a stand-alone repair business, forecasting sales and development of a state of the art repair-tracking database.

He has further experience as a Product Support Engineer, Advanced Technology Group, with Sundstrand Corporation. He contributed to monitoring in-service product performance, analysis and technical support for manufacturing and customer support departments.

Additional experience includes being a Support Equipment Engineer with Pratt & Whitney Aircraft, Government Products Division. He held a wide range of technical and logistical duties including vendor quality, planning and developing ground support equipment for the F100 and TF30 engines.

ACCREDITATIONS

Mr. Heidemann is a member of the American Society of Appraisers*, where he holds the designation as Accredited Senior Appraiser in the Machinery and Technology Specialties/Aircraft.

**The American Society of Appraisers is an organization of appraisal professionals and others interested in the appraisal profession. International in structure, it is self-supporting and independent. The oldest and only major appraisal organization representing all of the disciplines of appraisal specialists, the society originated in 1936 and incorporated in 1952. In 1987 the Appraisal Foundation was created as, a national nonprofit organization to establish uniform criteria for professional appraisers. Since 1989, the Appraisal Foundation has been recognized by the U.S. Congress as the source for the development and promulgation of appraisal standards and qualifications.*

*** Founded in 1927 by Oliver Parks, St. Louis University's Parks College was America's first federally certified school of aviation. Today, Parks has a worldwide reputation for its aviation and aerospace engineering programs. Parks College has also emerged as a leader in disciplines such as computer science, electrical engineering, physics, biomedical engineering and mechanical engineering.*

Leo V. Heidemann Accredited Senior Appraiser
American Society of Appraisers

Cellular: 815.519.7311
E-Mail: LVH321@SBCGLOBAL.NET

LIMITED SUMMARY DESKTOP
VALUATION REPORT*

**DeHavilland DH4-M1,
Serial Number ET4, N3258**

PREPARED FOR

Hillis, Clark, Marin & Peterson, PS

PREPARED BY



2650 S. Main St., Bldg. A
Erie, CO 80516
Telephone: (303)460-1156
Facsimile: (303)464-7576

www.airassets.com

Effective Date: April 22, 2015

***Certified Summary Appraisal – Uniform Standards of Professional Appraisal
Practice (USPAP 2014-2015)**

Proprietary Notice

This Limited Summary Aircraft Valuation Report is presented for the exclusive use of Hillis, Clark, Marin & Peterson, PS. It may not be transmitted in any form to any other party without the express oral/written permission of AirAssets Intl. and Hillis, Clark, Marin & Peterson, PS.

Privacy Statement

AirAssets International respects the privacy of our customers. We pledge to never release your personal, non-public information (i.e. name, address, telephone number, e-mail address or other information) to anyone who is not employed by AirAssets International, except as permitted or required by the Gramm-Leach-Bliley Act (1999).

Data contained in this report is valid only on the date of the issuance of this report. Due to the dynamic trends in the aerospace industry, we recommend that a valuation update be conducted every 180-270 days. After 180-270 days from the effective date, the appraisal should be updated and the user of this document can assume it to be in need of an appraisal update. AirAssets International makes representation concerning the value of the subject aircraft. The customer or third party using this report as a part of their purchase decision process should recognize that this appraisal/valuation report is limited in scope and that discrepant conditions may exist in the aircraft which were not discovered or recorded during this appraisal/valuation. The customer authorizing this appraisal/inspection has covenanted not to sue, agreed to defend, indemnify, and hold AirAssets International harmless from and against all claims asserted by the customer or any third party. AirAssets International is also clear from all damages, losses, and expenses, including attorney fees, arising out of or resulting from this appraisal/valuation or the condition of the aircraft inspection. This is regardless of whether or not resulting in whole or in part of any negligence of AirAssets International.

Table of Contents

Executive Summary	5
DeHavilland DH4-M1, Serial Number ET4, N3258 Valuation	11
Current Market Value Statement.....	14
USPAP CERTIFICATION	16
Curriculum Vitae	17
Photos of subject aircraft	19

Executive Summary

Objective/Purpose:

AirAssets International was retained by **Hillis, Clark, Marin & Peterson, PS** to provide our professional opinion and determine the *Current Market Value*, via a Uniform Standards of Professional Appraisal Practice (USPAP) Certified Limited Summary "Desktop Appraisal" on the **DeHavilland DH4-M1, Serial Number ET4, N3258**.

Intended Use:

The values reported within this report are intended for the use of **Hillis, Clark, Marin & Peterson, PS** for determining the *Current Market Value*.

Scope of Work: (Valuation Assignment)

For this valuation assignment, a narrative, *Valuation Report* has been prepared outlining the valuation techniques and procedures utilized in valuating the subject aircraft for certain values as requested above.

This Valuation Report includes:

- Identification of the specific aircraft to be valued and the effective date of the valuation.
- A description and specifications of the aircraft to be appraised including all of the pertinent information that is available such as the model, date of manufacture and current condition.
- A discussion of the valuation techniques considered and used in the development of the values, which include past/recent sales, and current market offerings and current market conditions, which are deemed appropriate.
- A detailed presentation of the sales comparison approach utilized in this appraisal analysis.
- An executive summary, which contains final values as of the effective date of the appraisal.
- Due to the dynamic trends in the aerospace industry, we recommend that a valuation update be conducted every 180-270 days. After 180-270 days from the effective date, the appraisal should be updated and the user of this document can assume it to be in need of an appraisal update.

Valuation Conclusions: (Effective Date of Appraisal: April 22, 2015)

Current Market Value

After review of the specifications of the **DeHavilland DH4-M1, Serial Number ET4, N3258** in conjunction with a study of the current and historical market for the **DeHavilland DH4-M1**, and consideration of its "highest and best use," AirAssets International places the subject aircraft at a **Current Market Value of: \$700,000.00 USD.**

These values indicate (2015 dollars) and have no inflation factors. They are reported as constant dollars.

The following definition of CURRENT MARKET VALUE was utilized for this valuation to include the MARKET VALUE assumption and is sanctioned by The Appraisal Foundation and the American Society of Appraisers as: The most probable price which a property (aircraft) should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what they consider their own best interests; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; (5) the price represents the normal consideration for the property (aircraft) sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

AirAssets Intl. monitors several indicators in the used business jet market, including inventory levels, pricing levels and days on market. We believe the used business jet market serves as a leading indicator of the new business jet market. AirAssets Intl. also closely monitors sales and trends in the vintage aircraft market, collectibles, homebuilt, and unusual aircraft types worldwide.

AirAssets Intl. also monitors key indicators in the fractional market, including shareholder growth, aircraft purchases, fleet utilization (sold to in service ratio) and shareholder churn (ration of shareholders lost to shareholders gained). The business jet and vintage aircraft market is cyclical in nature, largely driven by the general, domestic and world economic environment.

Actual aircraft condition, time, and history are far more important than age. Values can vary widely based on maintenance and modification status. Maintenance history and refurbishment restoration quality can vary values from a low to high extremes.

Future Orderly Liquidation Value (Prospective) is the estimated gross amount expressed in terms of money, which could be typically realized from a sale, as of a specific date, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an as-is/where-is basis, in an appropriate and relevant marketplace with knowledgeable buyers.

Future Orderly Liquidation Value (Prospective)- \$525,000.00 USD.

This appraisal/valuation was developed as a service for Hillis, Clark, Marin & Peterson, PS to assist in arriving at the Current Market Value (CMV) of the DeHavilland DH4-M1, Serial Number ET4, N3258. These values are intended as a guide developed by an American Society of Appraisers accredited appraiser and are not to be considered to reflect all unforeseen market variances.

Subject Aircraft History:

The DH-4 was produced by Airco, F.W. Berwick and Co, Glendower Aircraft Company, Palladium Autocars, Vulcan Motor and Engineering, and the Westland Aircraft Works in the UK. A total of 1,449 aircraft (from orders for 1,700 aircraft) were made in the UK for the RFC and RNAS. SABCA of Belgium made a further 15 in 1926.

In the United States, the Boeing Airplane Corporation, Dayton-Wright Airplane Company, the Fisher Body Corporation, and the Standard Aircraft Corporation produced the DH-4 with the Liberty L-12 engine for the American air services. A total of 9,500 DH-4s were ordered from American manufacturers, of which 1,885 actually reached France during the war.

After the war, a number of firms, most significantly Boeing, were contracted by the U.S. Army to remanufacture surplus DH-4s to DH-4B standard. Known by Boeing as the Model 16, deliveries of 111 aircraft from this manufacturer took place between March and July 1920, with 50 of them returned for further refurbishments three years later.

In 1923, the Army ordered a new DH-4 variant from Boeing, distinguished by a fuselage of fabric-covered steel tube in place of the original plywood structure. These three prototypes were designated DH-4M-1 (M for modernized) and were ordered into production alongside the generally similar DH-4M-2 developed by

DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015

Page 7

Atlantic Aircraft. A total of 22 of the 163 DH-4M-1s were converted by the Army into dual-control trainers (DH-4M-1T) and a few more into target tugs (DH-4M-1K). Thirty of the aircraft ordered by the Army were diverted to the Navy for Marine Corps use, these designated O2B-1 for the base model, and O2B-2 for aircraft equipped for night and cross-country flying.

Built in 1918, the subject aircraft was one of 180 DH-4s that was modernized by Boeing Aircraft Company in 1923 for mail hauling service.

According to the information plaque placed in front of the subject aircraft at Evergreen Aviation and Space Museum, the DH-4M1 was previously owned by a series of civilian owners before being sold to Paramount Pictures in 1937. It is reported to have appeared in the 1938 movie *Men with Wings*. Paul Mantz flew the stunts of the movie and in 1941 he purchased the aircraft from Paramount. The plane appeared in the films *The Court Martial of Billy Mitchell* in 1955, as well as *Spirit of St. Louis* in 1957, which starred Jimmy Stewart as Charles Lindbergh. In 1962, the subject aircraft was loaned by Paul Mantz to the U.S. Marine Corps to be used as a pattern to construct a movie replica. The subject aircraft was sold at auction in 1966, the year that Paul Mantz was killed during the filming of the movie *Flight of the Phoenix*.

The subject aircraft was purchased by Evergreen in 1990 and was loaned to the Museum of Flight in Seattle, WA where it was displayed until 2001, when it was returned to Evergreen.

The subject aircraft is FAA registered and carries an FAA airworthiness certificate, but is out of annual inspection making it non-airworthy.

Current Market Data:

Over the last three (3) years, no DH-4-M1s were remarketed. Currently there are no pre-owned DH-4-M1s on the worldwide market. The last reported sale of a Boeing modified DH-4M was serial number 652. It was sold by the Western Reserve Historical Society in 2006 to an owner in New Zealand for a reported \$350,000 plus disassembly, shipping and reassembly cost estimated at \$25,000.

In October, 2014 the National Park Service at Fort Vancouver National Historic Site announced the purchase of a 1919 DeHavilland DH-4B "Liberty" biplane for exhibit at the national park's Pearson Air Museum and Jack Murdock Aviation Center from Century Aircraft in Wenatchee, WA. Air Assets International contacted Mike Smith, owner of Century Aircraft, who reported that the price for a static example (non-flying) DeHavilland DH-4 was \$160,000. This included a non-working engine. A flying example of the DH-4 from Century Aircraft was quoted at \$400,000 or less. These aircraft are mostly new build, but contain some original parts from other airframes that have been in storage. Mr. Smith reported that his company has restored six DeHavilland DH-4 aircraft to date and they have two aircraft available for restorations.

DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 8

Computing the relative value of a U.S. Dollar using Samuel H. Williamson, "Seven Ways to Compute the Relative Value of a U.S. Dollar Amount, 1774 to present," MeasuringWorth, 2015, the sale of Serial Number 652 would be valued at \$440,000 in 2014 dollars (Note that the table for 2015 was not yet available). Air Assets has seen a historical premium for aircraft with wartime history, rarity, and other provenance that can increase value by as much as 50%. Air Assets applied the 50% premium to the subject aircraft.

A total of 4846 American built DH-4 aircraft were manufactured. Today, 8 remain, of which only one is flying. The DH-4 typically remains on the market for 90-120 days

MARKET COMPARISON and INCOME APPROACH to Value:

The **Market Comparison Approach** estimates value by comparison with aircraft sold in the current market, with adjustments made for all differences, which affect value, such as differences in characteristics of value and in time. Each aircraft or part sold is compared to the aircraft or part to be appraised, and an amount is added to or subtracted from the price achieved for every difference, with the sum yielding an indication of value.

The Market Comparison Approach is most reliable with manufactured products, when the items sold are identical to the one being appraised. The only adjustments needed would be for any intangible differences such as warranty and service, for any change in value since the sale was made and for any differences between the circumstances of the sale and the circumstances of the appraisal. There are no direct sales of similar aircraft to the subject aircraft, however there has been a recent sale of a similar display type aircraft as noted in the current market data section.

The **Income Approach** to value is a procedure to conclude an opinion of present value by calculating the anticipated monetary benefits (such as a stream of income) for an income-producing property. The Income Approach was not used to help conclude present value.

The **Cost Approach** to value was not used in our methodology due to the uniqueness of the subject aircraft.

This appraisal sets forth our findings and professional conclusions based upon an investigation of conditions affecting Current Market Value, (market comparison approach and income approach) and is subject to the Statement of Assumptions/Limiting Conditions, Valuation Methodology Terms & Definitions, which will assist in avoiding erroneous interpretation of this appraisal.

Additionally, it is important to understand the AirAssets Intl. Valuation Methodology used for this appraisal.

Unless otherwise stated, the value given in this appraisal report represents my professional opinion of value as of this 22nd day of April, 2015.



Gordon R. Page, **ASA 080407**
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

President
Air Assets International/Warbird Recovery

DeHavilland DH4-M1, Serial Number ET4, N3258 Valuation

1918 Dehavilland DH-4-M1, Serial Number ET4, FAA Registration Number N3258

(Time as of April 22, 2015)

Total Time on Airframe – 1201 (Since total restoration)

ENGINE MANUFACTURER: Liberty **MODEL:** 12A

TYPE: Reciprocating, 12 cylinder

Engine #1, SN-NR

TTSN: 1201

TSOH: N/A

Propeller #1 SN-NR

TTSN: Not reported

TSOH: Not reported

INTERIOR: Standard passenger configuration in excellent condition.

EXTERIOR: Green and silver paint scheme with US Mail markings in excellent condition.

AIRFRAME CONDITION: Serviceable as reported

LOGBOOKS: Complete as reported

TIRES CONDITION: Operational Status as reported

PANEL LAYOUT: Factory standard with minor modifications

There are no avionics with the subject aircraft.

* * * * *

On April 22, 2015, Gordon R. Page of AIRASSETS INTL., did physically inspect the subject aircraft. The subject aircraft is in a non-airworthy condition as reported by others to AIRASSETS INTL.*.

***Airworthy Condition:** The term *airworthiness* is not defined under the U.S. Code of Federal Regulations or Federal Aviation Regulations (FAR's). Nevertheless, a clear understanding of its meaning is an essential tool for complying with the various FAR's incorporating the concept of airworthiness.

The term represents the substance of two very fundamental safety regulations, FAR 43.15(a) and 91.7(a). The first states that persons performing required inspections do so to "determine whether the aircraft ... meets all applicable airworthiness requirements. " The latter specifies, "No person may operate a civil aircraft unless it is in an airworthy condition." From these two citations have come bodies of FAA and NTSB case law defining the term that can be summarized as follows:

An aircraft is airworthy only if it is capable of a safe operation and conforms to its type certificate.

If the term *airworthy* were interpreted to mean only to be in a condition for safe flight, at times it would be unreasonably difficult to enforce the regulations. In order to prove that a pilot operated an unairworthy aircraft or that a mechanic certified an unairworthy aircraft as airworthy, the FAA sometimes would be required to undertake an extensive test-flight program of an aircraft that did not conform to the applicable type certificate.

Additionally, if *airworthy* meant only to be in a condition for safe flight, it would render the entire airworthiness certification procedures meaningless. That is, any modification to the original type design would be acceptable solely on the basis of a "safe to fly" evaluation.

Conversely, if airworthy only meant for an aircraft to conform to its type certificate (design specifications); the concept of a continuing airworthiness program would be invalidated.

In practical terms this means that the aircraft must conform to the original FAA type-design specifications, as modified by supplemental type certificates; in other words, it should be the same configuration as it was the day it rolled off the production line.

Additionally, alterations, maintenance, and preventative maintenance performed on the aircraft must have conformed to “methods, techniques, and practices prescribed in the current manufacturer’s maintenance manual or instructions for continued airworthiness prepared by its manufacturer, or other methods, techniques, and practices acceptable to the Administrator” (FAR 43.13 (a)).

Source: General Aviation Operations Inspector’s Handbook, FAA Order 8700.1, and Vol. 2, 180-46-47.

This appraisal/valuation is not intended to be a pre-purchase or technical evaluation of the subject aircraft. However, we highly recommend all buyers perform a pre-purchase/technical evaluation prior to the acquisition of any aircraft/asset. We recommend the following items be audited and reviewed: aircraft specifications- description, equipment list, major repair and alteration status (FAA Form 337 if available). This list should include, but may be limited to: component maintenance/modification records, supplemental type certificates, airframe/ engine service bulletin reports, airframe/engine airworthy directives, airframe/ engine service/maintenance/ overhaul records, actual airframe/engine logbook records, and computerized airframe/engine records. (However, not all items are always made available to [AirAssets Intl.](#)).

Current Market Value Statement

Uniform Standards of Professional Appraisal Practice Certification DeHavilland DH4-M1, Serial Number ET4, N3258

CURRENT MARKET VALUE (CMV):

BASED ON THE ENCLOSED VALUATION, OUR APPRAISED CURRENT MARKET VALUE OF the DeHavilland DH4-M1, Serial Number ET4, N3258 is: \$700,000.00 USD.

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE CERTIFICATION (USPAP 2014-2015):


I certify that, to the best of knowledge and belief:

- The facts and data reported contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the aircraft property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the aircraft that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice (2014-2015 Edition)*.
- The undersigned, on **April 22, 2015**, **did** make a personal inspection of the aircraft that is the subject of this report.
- I HAVE NOT PERFORMED A PRIOR APPRAISAL OF THE SUBJECT PROPERTY WITHIN THE 3 YEAR PERIOD IMMEDIATELY PRECEDING ACCEPTANCE OF THIS APPRAISAL ASSIGNMENT.
- Gordon Page (080407) is an Accredited Senior Appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for

designation (Accredited Senior Appraisers). I am in compliance with that program.

The information herein has been prepared from many different sources and is believed to be correct. AirAssets International does not warrant the accuracy of the source material. In the event of error or omission, the liability, if any, is limited and may not in any event, exceed the amount paid for the services rendered. AirAssets International reserves the right to recall all copies of this report to correct any omission or errors. Further, AirAssets International accepts no responsibility for usage of the form unless signed by an officer and appraiser of AirAssets International and AirAssets International corporate seal affixed.

Unless otherwise stated, the value given in this valuation report represents the professional opinion of value as of this 22nd day of April, 2015.



Gordon R. Page, **ASA 00407**
Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

President
Air Assets International/Warbird Recovery

USPAP CERTIFICATION

A SUMMARY DESKTOP AIRCRAFT APPRAISAL REPORT WAS PERFORMED APRIL 22, 2015 ON THE **DeHavilland DH4-M1, Serial Number ET4, N3258**. BASED UPON REPORTED/OBSERVED CONDITION, EQUIPMENT AND COMPONENT TIMES, IT IS THE PROFESSIONAL OPINION OF AIRASSETS INTERNATIONAL THAT THE

CURRENT MARKET VALUE OF THIS AIRCRAFT IS:

\$700,000.00 USD.

I certify that, to the best of knowledge and belief:

- The facts and data reported contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the aircraft property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias with respect to the aircraft that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice (2014-2015 Edition)*.
- The undersigned, on **April 22, 2015, did** make a personal inspection of the aircraft that is the subject of this report.
- I HAVE NOT PERFORMED A PRIOR APPRAISAL OF THE SUBJECT PROPERTY WITHIN THE 3 YEAR PERIOD IMMEDIATELY PRECEDING ACCEPTANCE OF THIS APPRAISAL ASSIGNMENT.
- Gordon R. Page (080407) is an Accredited Senior Appraiser of the American Society of Appraisers in the Machinery and Technical specialties (Aircraft). The society (ASA) has a mandatory education/recertification program for designation (senior and Accredited Senior Appraisers). I am in compliance with that program.



Gordon R. Page, **ASA 080407**

Accredited Senior Appraiser
Machinery and Technical Specialties (Aircraft)
American Society of Appraisers

President

Air Assets International/Warbird Recovery

Curriculum Vitae

Gordon R. Page- President of Air Assets® International, a privately held aviation venture company located in Denver, Colorado.

Mr. Page has been active in business development within the aerospace industry since 1989. As a pilot himself, Mr. Page has recognized the needs of the aviation industry and prides himself on being one to provide unique solutions, while creating strong relationships with customers.

Mr. Page has successfully directed companies in the areas of wireless telecommunications, on-line aviation maintenance programs, aviation data visualization software, aircraft valuations and corporate jet sales and charter services. Mr. Page has brokered over \$100 Million in aircraft sales. He has established extensive aviation and business relationships in the United States, as well as Europe and Asia, having worked with Boeing, Jeppesen, Flight Safety International, Gulfstream Aerospace, Bombardier, the Federal Aviation Administration and many of the World's Airlines.

Mr. Page is a past President of the Colorado Aviation Historical Society and opened the Colorado Aviation Hall of Fame in 1999. He is the author of the book *Warbird Recovery- The Hunt for a Rare WWII in Siberia, Russia*. In addition to flying in several airshows each year, he travels the world to collect WWII aircraft. Mr. Page lives with his family in Louisville, Colorado where he owns and operates an aircraft sales and charter business.



- ASA Accredited Senior Appraiser
- Holder of FAA Commercial MEI pilot's license.
Type rated in MiG 15/17, Aero L-39, BAC Strikemaster (All series)
- Currently rebuilding a WWII Messerschmitt Bf-109 fighter as well as a North American P-51D Mustang fighter to flying condition.
- Established the Spirit of Flight Center to be based at Jefferson County Airport, Broomfield, Colorado.
- Member EAA, AOPA, NBAA, ASA Accredited Senior Appraiser, Colorado Real Estate Broker
- Life member- Eighth Air Force Historical Society, P-51 Mustang Pilot's Association, Colorado Aviation Historical Society

DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 17



The American Society of Appraisers

Attests that

GORDON R. PAGE, ASA

has successfully participated in the
Society's mandatory Reaccreditation Program
and has complied with its continuing education requirements,
as set forth in the organization's Constitution, Bylaws and
Administrative Rules. Therefore, formal reaccreditation has
been granted by the International Board of Governors and will
remain valid through

February 01, 2018



International President

Chairman, Int'l Board of Examiners

Photos of subject aircraft



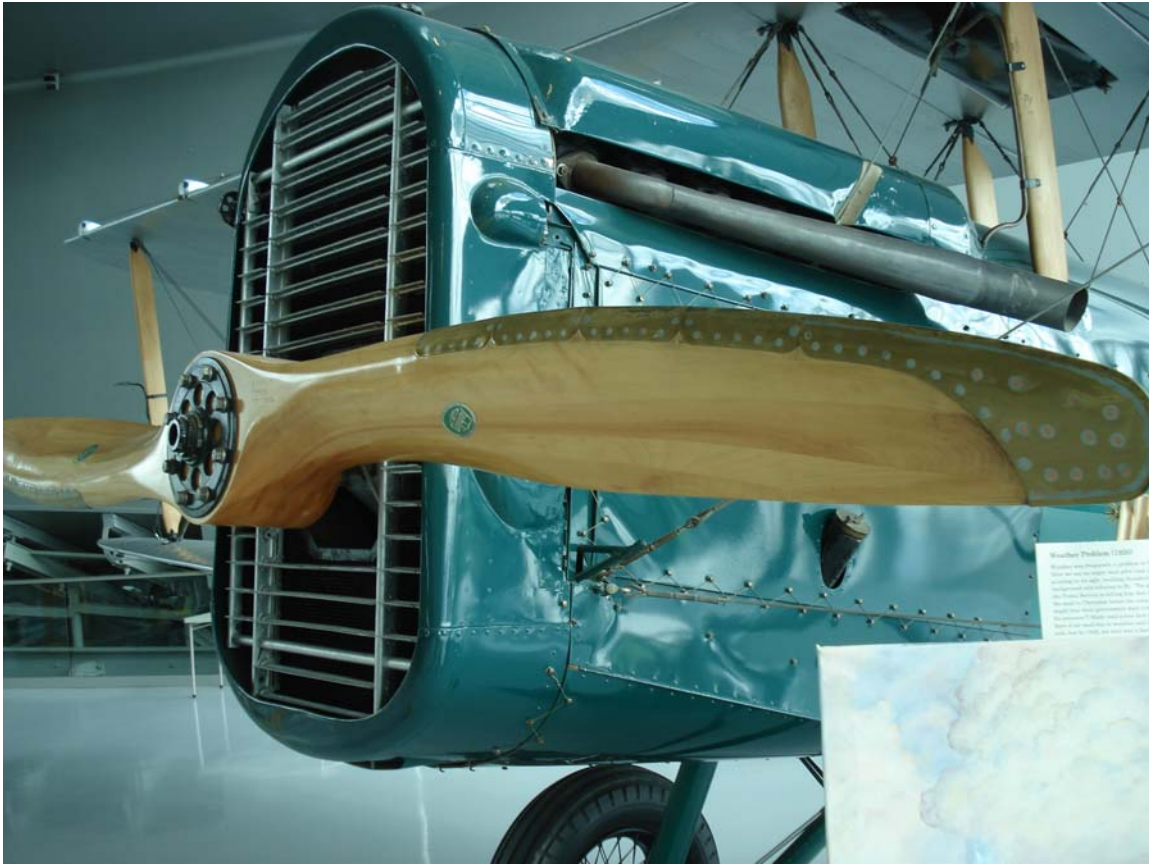
DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 19



DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 20



DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 21



UNITED STATES OF AMERICA FEDERAL AVIATION AGENCY CERTIFICATE OF REGISTRATION		
NATIONALITY AND REGISTRATION MARK N 3258	MAKE AND MODEL OF AIRCRAFT De Havilland DH4-M1	AIRCRAFT SERIAL NO. ET-4
NAME OF OWNER TALLMANTZ AVIATION, INC.		THIS CERTIFICATE MUST BE CARRIED IN THE AIRCRAFT AT ALL TIMES
ADDRESS OF OWNER (NUMBER AND STREET) Orange County Airport		
CITY Santa Ana STATE California		
<small>It is hereby certified that the above described aircraft has been entered on the register of the Federal Aviation Agency, United States of America, in accordance with the Convention on International Civil Aviation signed at Chicago, Illinois, October 26, 1944, and with the Federal Aviation Act of 1958, and regulations issued thereunder.</small>		
DATE OF ISSUE July 5, 1962		<i>Robert J. Johnson</i> Chief, Aircraft Registration Branch

DeHavilland DH4-M1, N3258, Desktop /Effective Date: April 22, 2015
Page 22